2014

ANNUAL REPORT

BLOM BANK S.A.L

BLOM BANK S.A.L

Dr. Naaman AZHARI
Chairman of BLOM BANK Group

Mr. Saad AZHARI
Chairman and General Manager of
BLOM BANK S.A.L.

We live in a world where every achievement is measured by a figure and classified under a label. At BLOM BANK, we measure our successes by providing you with impeccable products and services that are constantly enhanced to match and surpass your high expectations. While most of our business is based on calculated moves and measured decisions and transactions, our ultimate goal is to contribute to the immeasurable satisfaction each one of our customers feels and experiences through the products and services we put at their disposal. After all, happiness, pride, confidence, accomplishment, safety, empowerment and security are various forms of the immeasurable Peace of Mind.

Net profit increased to $365.4 million, rising by 3.6% from 2013, and representing the highest absolute profits in the Lebanese banking system. The same was largely true for relative profitability, with ROAE reaching 15.8% and ROAA 1.35%, the highest among listed banks and, as important, among the highest in the wider region.

The year 2014 was both challenging and successful for BLOM BANK. It was challenging because of the lingering political instabilities in Lebanon and the region; and successful because, despite that, the Bank maintained its track record of respectable profitability and growth. Net profit increased to $365.4 million, rising by 3.6% from 2013, and representing the highest absolute profits in the Lebanese banking system. The same was largely true for relative profitability, with ROAE reaching 15.8% and ROAA 1.35%, the highest among listed banks and, as important, among the highest in the wider region. What is also noteworthy is that the rise in net profit was mostly attributed to the increase in profits of the Bank's foreign units and subsidiaries that now contribute close to 22% of the net profit pool.

As impressive, the Bank's balance sheet witnessed notable and balanced growth, indicating once again the success of the Bank's regional diversification strategy in geographic and product terms. Assets increased to $27.98 billion, up by 7% on 2013; deposits rose to $24.01 billion, up by 6.4%; loans increased to $6.91 billion, up by 8.9%; and shareholders' equity rose to $2.53 billion, up by 7.4%.

BLOM BANK has never been a bank that would compromise quality for quantity. The Bank's conservative strategy, prudent risk management and asset quality, and its commitment to the highest standards across all business lines, make it one of the leading banks in the region in financial safety, strength, and durability. This is reflected in the Bank's capital adequacy ratio (Basel 3) which stood at 17%, its liquidity ratio at 66%, and its coverage ratio for non-performing loans by provisions and real guarantees at 162%. With the highest liquidity and capital buffers, BLOM is widely viewed as the safest choice for depositors. In fact, with such a remarkable performance and financial standing, it is no surprise that BLOM has been consistently, and unanimously in 2014, selected as "The Best Bank in Lebanon" by the most renowned and prestigious international institutions.

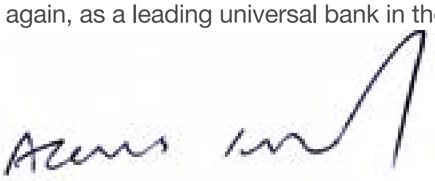
The international and regional recognition of the Bank's achievements also attests to its strong foundations and solid strategy that allow the Bank to thrive in adversity. The Bank's core strategy continues to be grounded in three rewarding anchors. First, is the consolidation of its leading position in Lebanon, especially in retail where it has the highest market share in car, personal, and housing loans, and increasingly in SMEs and corporate loans. Second, is the expansion in its universal banking activities in the Levant, especially in Egypt and Jordan where the success of its brand name and reputable products has increased income to the BLOM Group by 61% in the former and 41% in the latter. Third, is the strengthening of its non-traditional banking franchises in the Gulf, through its investment banking and asset management services in KSA, its corporate banking services in Qatar, and its wholesale banking services in the UAE. As important, a prime feature of this strategy is the binding of all these markets together through synergies and cross-border activities, that take advantage of the specialized, competitive-edge products that we offer in each country but that can be complemented or augmented region-wide.

As a result of the Bank's policy of leveraging its presence across countries and products, it has attained a balanced structure in assets, such that in 2014 its assets distribution was: 36.8% in cash and central bank; 24.8% in securities; 24.7% in loans; and 11.1% in interbank. In addition, assets under management increased by a stellar 27.1% to reach $7.2 billion, helping to increase fee income to $167.1 million, up by 14.5%. And retail lending continued its robust performance, rising by 11.5% to $2.7 billion, to the extent that in 2014 the Bank's lending portfolio was structured as: retail 39.2%; corporate 25.9%; SMEs 16.7%; project finance 10%; real estate 5.7%; and syndicated loans 1%. What is equally noteworthy is that the Bank's activities were undertaken with the utmost efficiency, registering a cost-to-income ratio of 38.9%, the lowest among listed banks. They were also accomplished with increasing regional diversification since 27% of all activities originated from outside Lebanon, a ratio that the Bank aims to increase to 50% in the medium-to long-term.

Being conservative does not mean being static, and this is what we believe in at BLOM BANK. A main driver of the Bank's strong and steady performance is our constant renewal and innovation. And the year 2014 was no different. In retail, we introduced "Flexi-Loan" that targets the non-domiciliated salary segment, and the deposit product "Oumniyati" which allows low and medium income individuals to save little amounts. We also expanded our card-issuing campaign by signing up "Le Mall", the second largest mall operator in Lebanon, as a new partner in our successful "Beirut Traders' Shopping Card", co-branded with Beirut Traders Association. In investment banking, the Bank co-managed in early 2015 a new Eurobond issue of $1 billion, but due to unprecedented demand that reached $4.5 billion, the mandate was increased to $2.2 billion, and had to close on the first day instead of spanning three days. The Bank also participated both as an investor and co-manager in three technology funds with a total contribution of $30 million, as part of the Central Bank's Circular 331 to stimulate start-ups in the knowledge economy. In asset management, the Bank launched the "Mazaya" Islamic fund, which is an open-ended fund that invests in securities selected from the S&P Saudi Arabia Shariah Index, and is open for Saudi and foreign investors. In addition, we introduced a new "Money Market Fund-Euro Class" to complement the success of the earlier LP and USD Classes. In information technology, an interactive mobile banking app was introduced, which has the unique and differentiating feature to open an interacting chat with our Call Center within the app and without leaving the banking session. Last but not least, BLOM BANK expanded to Iraq in 2014, opening up two branches, one in Irbil and another one in Baghdad, to capitalize on the potential market opportunities in Iraq and its Kurdistan region. This increased the number of countries in which the Bank has an active presence in to 13.

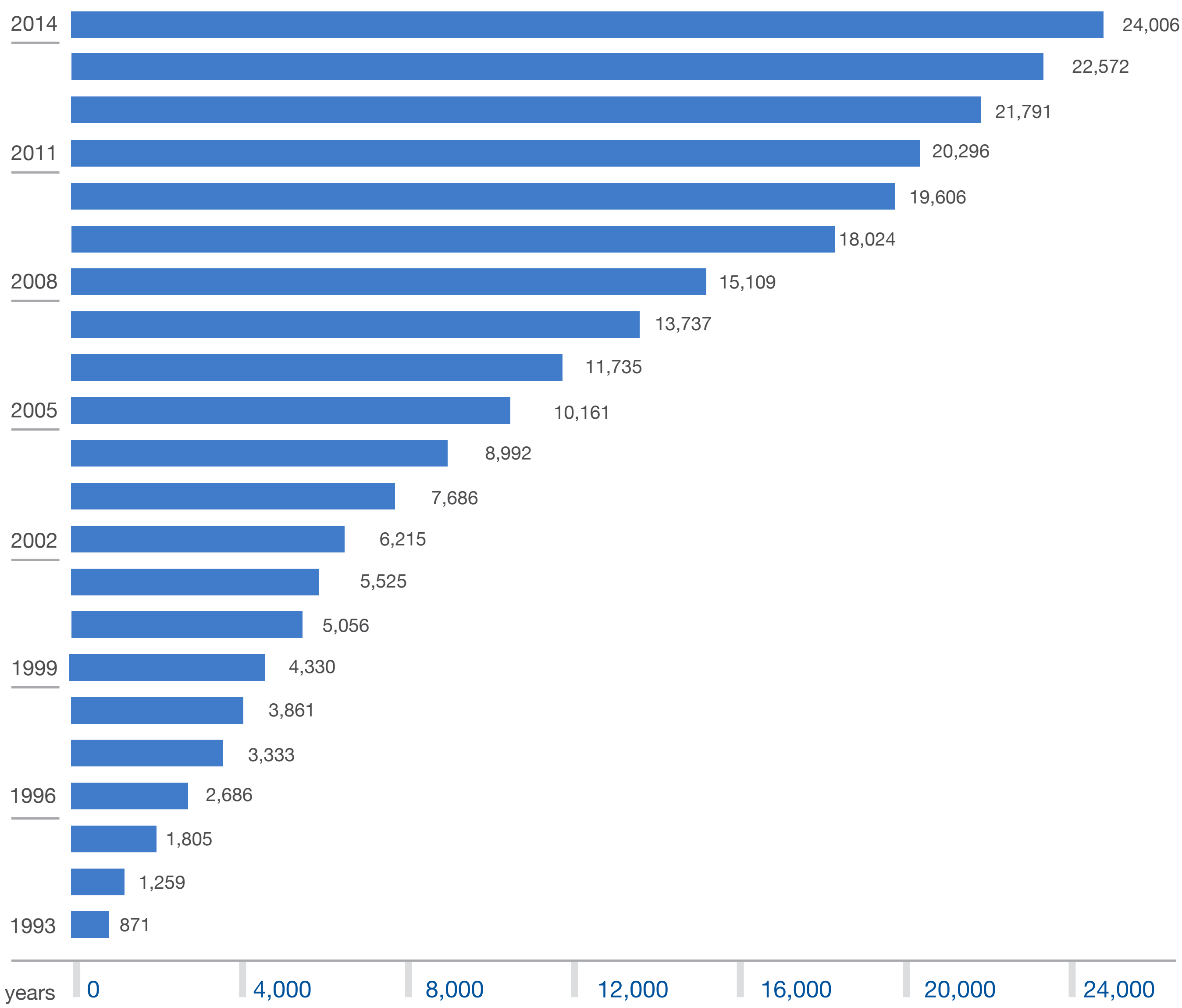
Success at BLOM BANK is measured by the "Peace of Mind" that we deliver to our stakeholders. We have always made sure that our clients receive the safest and most rewarding returns, and in no small measure similarly so to our stockholders. Though our earnings per share increased by 2% to $1.61, our market capitalization increased to $2.1 billion, up by 11.4%, and our price-earnings ratio rose to 6.1, higher by 9.3% -- both increases the highest among the Bank's comparable peers. Also, the Bank distributed $0.66 per common share as dividends in 2014, amounting to a payout ratio of 42%. As to our wider community, the Bank did not spare any effort in supporting vital social, educational, cultural, and humanitarian activities. Moreover, its path-breaking CSR activities – namely, BLOM "Giving Card", "BLOM shabeb", and "ProtectEd" – were meaningfully recognized, earning BLOM BANK the worthy award of "Best CSR Company in 2014" from CSR Lebanon.

The mark of a true, prudent bank is that it can strive in bad times and lean against the winds in boom times. It is also marked by not being big for bigness and scale's sake, but solid for quality and safety's sake. We strongly adhere to this belief at BLOM BANK, and we have consistently delivered on its promise. The greatest contributing factor in this achievement has been our management team and staff. As a matter of fact, the dedication of our employees, the trust of our customers, and the confidence of our shareholders are what make us sure that BLOM BANK will overcome all the challenges that may come its way, and that will confirm it, time and again, as a leading universal bank in the region.



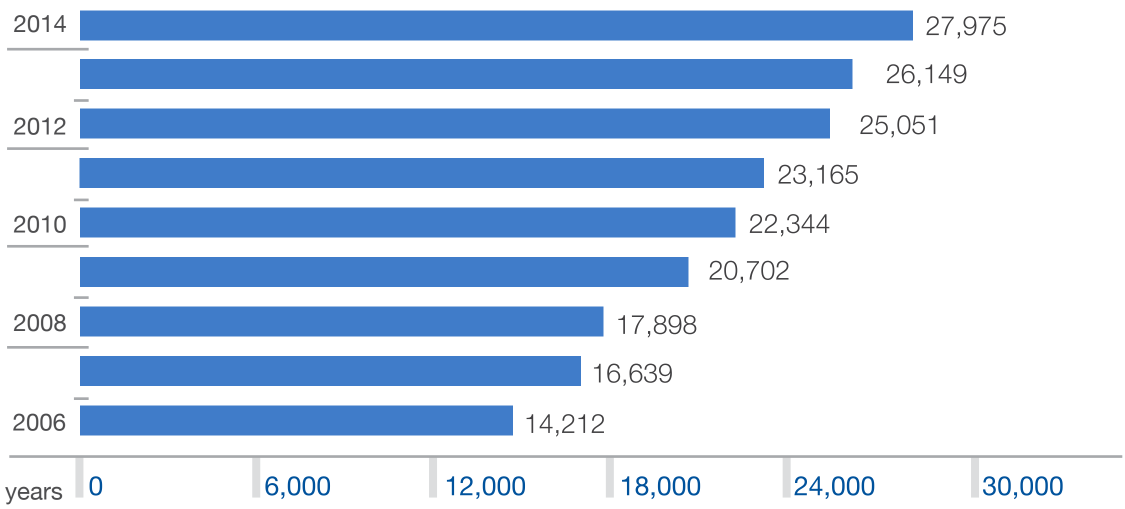
Mr. Saad AZHARI
Chairman and General Manager

Consolidated Customers' Deposits Evolution (in USD Million)

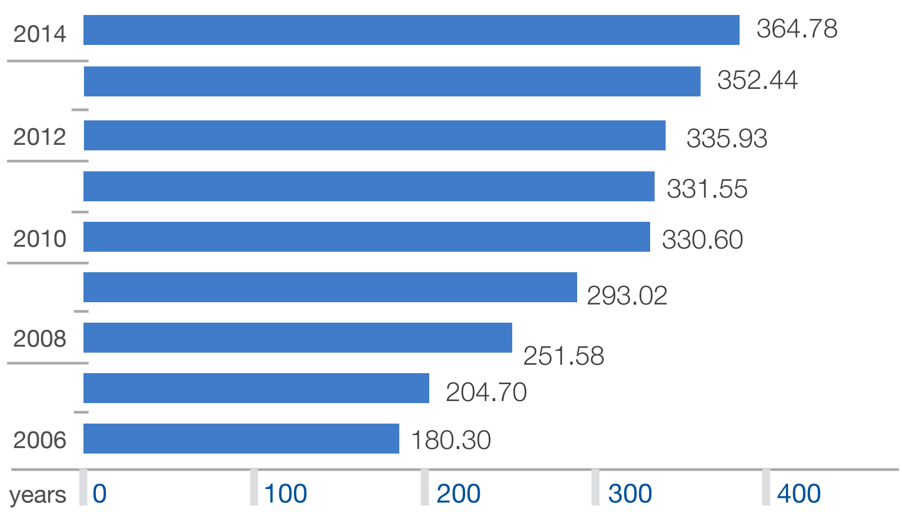


Strong and Continuous Growth

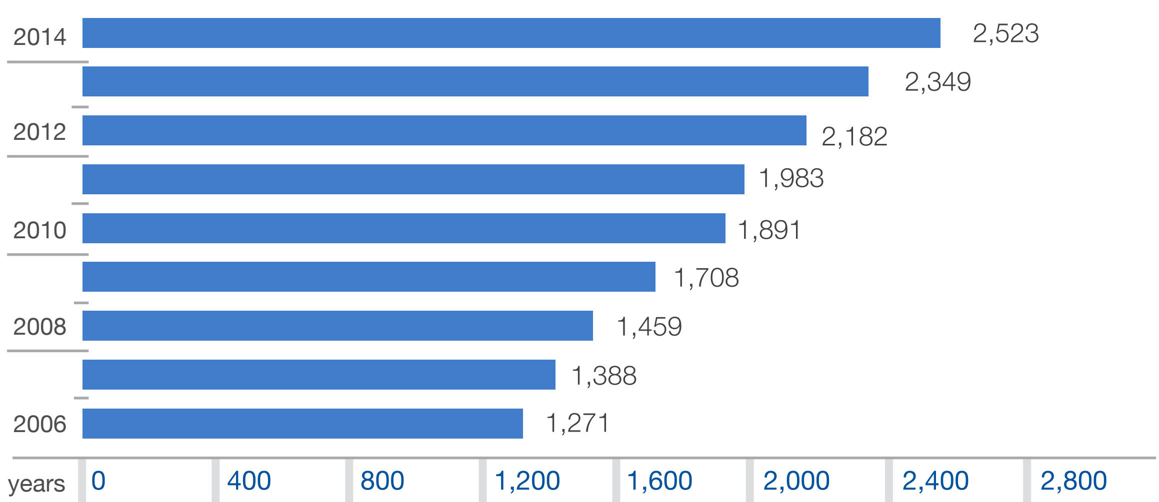
Total Assets (in USD Million)



Net Profits (in USD Million)



Total Capital Funds (in USD Million)



Evolution of Main Indicators

(in USD Million or LL Billion)	2014	2013	Change 14/13
Total Assets			
LL	42,171.78	39,419.09	6.98%
cv USD	27,974.65	26,148.65	6.98%
Total Net Loans and Advances			
LL	10,416.29	9,564.82	8.90%
CV USD	6,909.65	6,344.82	8.90%
Total Customers' Deposits			
LL	36,188.84	34,027.90	6.35%
cv USD	24,005.86	22,572.41	6.35%
Tier 1 Equity			
LL	3,787.85	3,526.12	7.42%
cv USD	2,512.67	2,339.05	7.42%
Total Capital Funds			
LL	3,803.08	3,540.85	7.41%
cv USD	2,522.77	2,348.82	7.41%
Total Net Liquid Assets			
LL	23,671.09	21,857.48	8.30%
cv USD	15,702.21	14,499.16	8.30%
Net Income After Tax			
LL	549.90	531.30	3.50%
cv USD	364.78	352.44	3.50%

Consolidated Financial Ratios

(in % or USD)	2014	2013
Liquidity Ratios		
Net liquidity in LL	99.00%	97.29%
Net immediate liquidity in foreign currency	52.80%	52.17%
Liquid assets over total assets	57.56%	59.53%
Loans to Deposits Ratios		
LL	20.69%	19.24%
F/C	31.99%	31.64%
Total	28.78%	28.11%
Asset Quality		
Net Non-Performing Loans / Total Net Loans	1.68%	1.31%
Gross Non-Performing Loans / Gross Loans	4.44%	4.89%
Coverage of Non-Performing Loans (Monetary provisions)	63.66%	74.70%
Coverage of Non-Performing Loans (Monetary provisions & Real guarantees)	135%	125%
Capital Adequacy Ratios		
After dividend distribution (Basel III)	17.03%	16.74%*
Profitability Ratios		
Return on average equity	15.04%	15.62%
Return on average equity (Common)	15.77%	16.70%
Return on average assets	1.35%	1.38%
Cost-to-income ratio	39.11%	37.68%
Earnings per share USD	USD 1.60	USD 1.58
Book value per common share USD	USD 10.95	USD 9.90
Dividend per common share USD	USD 0.66	USD 0.50
Dividend payout ratio	41.92%	32.19%
Retention Ratio	58.08%	67.81%
Dividend Yield**	6.60%	5.24%

** Restated*
*** Prices as at payment date*

External Auditors

Ernst & Young
BDO Semaan Gholam & Co.

Shareholders

Board of Directors

Board Committees

Board Audit Committee | Board Risk Management Committee | Board Consulting, Strategy & Corporate Governance Committee / Board Nomination & Remuneration Committee

Solicitors

Me. Georges BOU ZAMEL

Divisions/Depts./Units	Committees
Administration	Asset Liability
Central Funds Transfer	Compliance
Central Operations & Group Strategic Planning	Credit Committee 1
Communication	Credit Committee 2
Corporate Credit Relationship	Executive
Credit & Facilities	Exceptional Credit
Finance	Fatca
Financial Institutions	Follow-up Credit Risk
Forex	Foreign Branches & Subsidiaries
Group Compliance	Human Resources
Group Customer Advocacy	Internal Audit
Group Inspection	Information Systems Security
Group Internal Audit	Information Systems
Group Risk Management	Investment & Treasury
Human Resources	Legal
Information Systems	Marketing
Legal Affairs	Operations & Internal Procedures
Liability Product Management	Provisions
Marketing Overseas	Purchasing & Maintenance
Marketing Overseas - Gulf Region	Retail Credit
Recovery	Social Responsibility
Retail Banking	Succession Planning (Jordan Branches)
SMEs Relationship	Succession Planning
Syrian Desk	
Trade Finance	
Treasury	

Branch Managers

72 in Lebanon **1** in Cyprus **14** in Jordan **1** Representative office in Abu Dhabi **2** in Iraq

Group Chart

BLOM BANK S.A.L.

Head Office: Beirut
Branches: Lebanon - 72 Branches - Cyprus - Jordan (14 Branches)
Abu Dhabi (Representative Office) - Iraq (2 Branches)

99.99%
BLOM BANK FRANCE S.A.
Head Office: Paris
Branches: London - Dubai - Sharjah
Jabal Ali - Romania (3 Branches)

100%

49.00%
BANK OF SYRIA & OVERSEAS S.A.
Head Office: Damascus
Branches: Syria - 27 Branches

52%

99.93%
BLOMINVEST BANK S.A.L.
Head Office: Beirut

23.5%

10%
BLOMINVEST SAUDI ARABIA
Head Office: Riyadh

50%

33.32%
BLOM DEVELOPMENT BANK S.A.L.
Head Office: Beirut
Branches: Lebanon - 3 Branches

66.65%

88.98%
AROPE INSURANCE S.A.L.
Head Office: Beirut
Branches: Lebanon - 9 Branches

99.42%
BLOM BANK EGYPT S.A.E.
Head Office: Cairo
Branches: Egypt - 31 Branches

48.97%
39.75%
19.75%

99.75%
BLOM BANK QATAR L.L.C.
Head Office: Doha

10%
AROPE SYRIA S.A. (Syria International Insurance)
34%
5%
Head Office: Damascus
Branches: Syria - 6 Branches
Point of Sales: 12

100%
BLOM SECURITIES - JORDAN
Head Office: Amman

BLOM BANK (SWITZERLAND) S.A.
Head Office: Geneva

SYRIA & OVERSEAS FOR FINANCIAL SERVICES
Head Office: Damascus

51%

BLOM EGYPT SECURITIES S.A.E.
Head Office: Cairo

0.25%

AROPE INSURANCE OF PROPERTIES & RESPONSIBILITIES - Egypt S.A.E.
Head Office: Cairo
Branches: Egypt - 3 Branches
Point of Sales: 28

60%

80%

AROPE LIFE INSURANCE - EGYPT S.A.E.

0.25%

Head Office: Cairo
Branches: Egypt - 3 Branches
Point of Sales: 28

* As at March 31st, 2015

PRIDE

1,152 BUSINESS LOANS

" The Pride we felt when we saw our names on the company sign was beyond description. Suddenly all the possibilities became realities "

We helped 1,152 entrepreneurs establish their own small business in the past 10 years

1. Code of Corporate Governance

The Code of Corporate Governance was approved in 2007 by the Board of Directors at BLOM BANK and most recently updated in November 2014. It sets out the structure that identifies the rights and responsibilities of each of the Board members, General Management, employees and external stakeholders. The Code complies with all local laws and regulations to which the Bank is subject, as well as the Basel Committee's principles on Corporate Governance and outlines the expected conduct of all parties in order to achieve the objectives set for the Bank. The Code also comprises the Board Committees' Charters and the Disclosure Policy as appendices to the Code.

BLOM BANK is the first bank in Lebanon to have a Lead Director who is an independent member of the Board of Directors elected annually by other independent members. The Lead Director is responsible for leading the Board's independent Directors to engagement and consensus, ensuring that independent consensus is heard and implemented. The Lead Director coordinates the activities of the other independent directors, and performs such other duties and responsibilities as the independent directors may determine. He also assists the Board in discharging its duties, responsibilities and obligations independently of Management.

The Independent Directors held a meeting in June 2015 and elected Dr. Jasim A. Al -Mannai to act as Lead Director for a term of one year. This reinforces BLOM BANK's commitment to and leadership in advancing corporate governance as well as its commitment to protect shareholders' interests.

The Bank recognizes the paramount importance of Corporate Governance for its proper functioning and for the creation of an optimal operational environment. The Board itself partly exercises its duties and authorities through four Board Committees (the Audit Committee, the Risk Management Committee, the Consulting Strategy and Corporate Governance Committee in addition to the Nomination and Remuneration Committee) and is the body ultimately responsible for ensuring the best possible practice of Corporate Governance at BLOM BANK.

Awareness sessions on Corporate Governance are organized for new employees in order to introduce the Code and related principles, while more advanced presentations are provided to all employees at least every two years.

The Code is published on the Bank's Website. Relevant information on the Board charter and shareholders rights were made available to the public in compliance with the disclosure requirements of the Code.

In light of the current global financial situation, the Bank's Board of Directors view the ongoing development of Corporate Governance as a matter of even greater importance and necessity in enhancing its competitive position by continuing to further raise its standards vis-à-vis internal organization and services to clients, especially that BLOM BANK was the first Bank in Lebanon to become Signatory of the Investors for Governance and Integrity (IGI) Declaration and publicly committed to corporate governance and to protect shareholders' rights and mitigate risks by making sound investment decisions.

2. BLOM BANK S.A.L. Major Common Shareholders

NAME	Address	Common Shares in Capital *
Bank of New York**	United States	34.37 %
Banorabe S.A., SPF***	Luxembourg	15.22 %
Actionnaires Unis	Lebanon	1.83%
Azhari Family	Lebanon	7.53 %
Chaker Family	Lebanon	5.39 %
Mrs. Nada Aoueini	Lebanon	5.00 %
Jaroudi Family	Lebanon	3.46 %
Saade Family	Lebanon	2.53 %
Khoury Family	Lebanon	1.94 %
Rest of Shareholders		22.73 %
Total		**100.00%**

** As at 28th February, 2015.*
*** Starting 1998, and after the issuance of Global Depositary Receipts (GDR) by BLOM BANK Shareholders, the Bank of New York as Depositary, became shareholder on the Bank's register.*
**** The major shareholders of Banorabe S.A. SPF (formerly Banorabe Holding S.A.) are the same as in BLOM BANK (except Bank of New York).*

3. Chairman of BLOM BANK GROUP

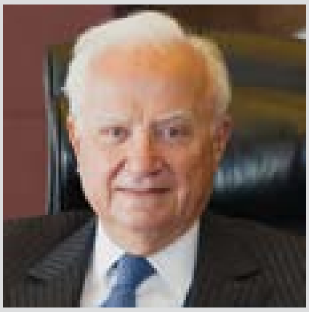
Dr. Naaman W. AZHARI

4. Board of Directors

4.1 List of Board Members

NAME	Position	Background / Competencies	Number of directorship years with the Bank
Mr. Saad N. AZHARI	Chairman & General Manager	Master in Engineering & MBA	Director since 1996 Chairman and General Manager since 2007
H.E. Sheikh Ghassan I. SHAKER Grand Officier de la Légion d'Honneur	Director	B.A in Finance	Director since 1964
Mr. Samer N. AZHARI	Director & Secretary General of BLOM BANK Group	Master in Civil Engineering & MBA	Director since 1997 Secretary General of BLOM BANK Group since 2007
Mr. Habib L. RAHAL	Director & General Manager	B.A. in Accounting Economics	Director since 2008 General Manager since 1992
Mr. Nicolas N. SAADE	Director	MBA in Finance & B.A. in Economics	Director since 1990
Dr. Fadi T. OSSEIRAN	Director	Ph.D. in Economics	Director since 2008
Mr. Joseph E. KHARRAT	Director	B.A. in Ecomomics	Director since 1984
Mr. Marwan T. JAROUDI	Director	MBA in Ecomomics	Director since 2008
Me. Antoine J. MERHEB	Director	Diploma in Law	Director since April 2014
Mr. Saeb A. K. EL ZEIN	Director	BBA & MBA from AUB	Director since April 2014
Mr. Amr N. AZHARI	Director & General Manager	Master in Business Administration	Director since April 2015
Dr. Jassim A. AL-MANNAI	Director	Doctorate in Economic Development	Director since April 2015
Me. Aimee SAYEGH	Corporate Secretary **Secretary of the Board**		

Sheikh Salim B. EL-KHOURY	Honorary Board Member
H.E. Me Youssef S. TAKLA	Advisor to the Board of Directors of BLOM BANK S.A.L.



Dr. Naaman W. AZHARI
Chairman of BLOM BANK Group

- Born in 1928

Dr. Naaman AZHARI started his banking career in 1951 in Paris where he joined a French bank (which was later acquired by Société Générale). He was later appointed General Manager of the Syrian affiliate of this French bank.
At the end of the 1950s, he established one of the largest banks in Syria, “Banque de l’Orient Arabe” and was appointed Chairman and General Manager of this Bank.
From 1961 to 1962, he occupied the position of Minister of Finance, Economy and Planning in Syria.
Since 1962, after the nationalization of bank in Syria he resided permanently in Beirut where he was appointed General Manager of BLOM BANK S.A.L.
From 1971 until 2007, he occupied the position of Chairman and General Manager of BLOM BANK S.A.L.
In 2007, he was appointed Chairman of BLOM BANK Group.
Dr. Naaman AZHARI holds from Paris a State Degree Ph.D. in Economics, a Diploma in Law and a Diploma in Political Sciences from the “Institut des Sciences Politiques” (Sc.Po.).

Sheikh Salim B. EL-KHOURY
Honorary Board Member of BLOM BANK S.A.L.

- Born in 1931

Sheikh Salim EL KHOURY has been a Member of the Board of Directors of BLOM BANK S.A.L. since 1987.

He holds a degree in French law from the University of Lyon in France, a degree in Lebanese Law from Saint – Joseph University’s “Ecole de Droit de Beyrouth” and has completed an Advanced Management Program at Harvard Business School.

4.2 Information about Board of Directors

Mr. Saad N. AZHARI
Chairman of the Board and General Manager of BLOM BANK S.A.L.

- Born in 1961
- Chairman and General Manager of BLOMINVEST BANK S.A.L.
- Chairman of BLOM BANK (SWITZERLAND)
- Chairman of BLOM BANK EGYPT
- Chairman of BLOM BANK QATAR L.L.C.
- Board Member of BLOMINVEST SAUDI ARABIA
- Board Member of BLOM DEVELOPMENT BANK S.A.L.
- Member of the Board Risk Management Committee of BLOM BANK S.A.L.
- Member of the Consulting, Strategy and Corporate Governance Committee of BLOM BANK S.A.L.
- Board member of Banorabe SA, SPF
- Member of the Board Risk Management Committee of BLOMINVEST BANK S.A.L.

Mr. Saad AZHARI is the Chairman of BLOM BANK since 2008, and prior to that, between 2001 and 2007, he was the Vice-Chairman and General Manager of BLOM BANK. Mr. Saad AZHARI also assumes several functions on the Board of Directors of BLOM BANK Group’s entities. He is, in addition, the Vice President of the Association of Banks in Lebanon since 2001.

He joined BLOM BANK (SWITZERLAND) in 1991, was appointed its General Manager in 1997 and its Chairman in 2001.
He worked from 1986 to 1991 at PBZ (Privatbank), an affiliate of UBS Group, in Zurich-Switzerland where he was promoted to run, from Zurich, the Bank’s operations in the Middle East and in its Hong Kong office.
Mr. Saad AZHARI obtained a Master Degree in Computer Engineering, and afterwards a Master Degree in Business Administration (MBA), from the University of Michigan-Ann Arbor in the United States of America.

H.E. Sheikh Ghassan I. SHAKER

Grand Officier de la Légion d'Honneur
Non-Executive Director of BLOM BANK S.A.L.

- Born in 1937
- Director of BLOM BANK FRANCE

Businessman, banker, industrialist and diplomat, H.E. Ghassan SHAKER, is among the most highly decorated personalities from the Arab World, including being a Grand Officier de la Legion D'Honneur-France.
He was educated at Victoria College Alexandria Egypt (1944-1956) and at St. John's College Cambridge University England (1956-1959).
H.E. Sheikh Ghassan SHAKER has been a Member of BLOM BANK S.A.L. Board since 1964, is also a Board Member of BLOM BANK FRANCE and a Board Member in Banorabe S.A, SPF.
Personal Advisor to His Majesty The Sultan of Oman, Ambassador of the Omani Mission at the United Nations in Geneva, Dean of Unesco Goodwill Ambassadors in Paris and Plenipotentiary Minister at the Embassy of the Sultanate of Oman at The Court of St. James, United Kingdom, Economic Counselor at the Oman Embassy in Rome and Egypt. Sheikh SHAKER is a founder and patron of academic and charity organizations in the Middle East and Turkey.
Member of the Board of trustees and Patron at Georgetown University Washington DC, a Patron of Kings Academy in Jordan, University of Virginia USA, the Lebanese American University Beirut and the Royal Textile Academy of Bhutan, Fellow of the Chancellor's Court of Benefactors Oxford University and an Honorary Fellow of St. Anthony's College Oxford University.

Mr. Samer N. AZHARI

Executive Director of BLOM BANK S.A.L.

- Born in 1958
- Secretary General of BLOM BANK GROUP
- Chairman and General Manager of BLOM BANK FRANCE
- Board Member of BLOMINVEST BANK S.A.L.
- Board Member of BANK OF SYRIA AND OVERSEAS
- Board Member of Banorabe SA, SPF
- Board Member of AROPE Insurance S.A.L.
- Board Member of AROPE Syria
- Member of the Board Risk Management Commitee of BLOMINVEST BANK S.A.L.

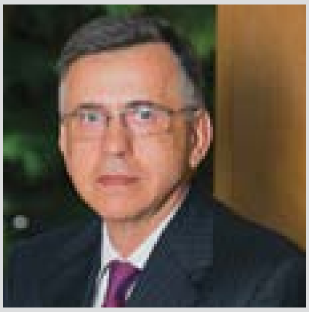
Mr. Samer AZHARI joined Banque Banorabe, affiliated bank of BLOM BANK S.A.L., in Paris in 1985 and became its General Manager in 1994.
In 1997, he was appointed as General Manager of BLOM BANK S.A.L. and occupied this position until 2001.
Since 2001, Mr. Samer AZHARI has been Chairman & General Manager of BLOM BANK FRANCE (formerly BANQUE BANORABE).
He was Chairman and General Manager of AROPE INSURANCE, an affiliated insurance company of BLOM BANK S.A.L. from 1998 until 2008.
From 1999 until 2001, he occupied the position of Vice–President of the Association of Banks in Lebanon.
Mr. Samer AZHARI has been BLOM BANK Group's Secretary General since 2007.
Mr. Samer AZHARI holds a Master of Science degree in Civil Engineering from the University of Illinois, USA and an MBA from INSEAD, France.

Dr. Fadi T. OSSEIRAN

Executive Director of BLOM BANK S.A.L.

- Born in 1956
- General Manager of BLOMINVEST BANK S.A.L.
- Board Member of BLOMINVEST SAUDI ARABIA
- Board Member of SYRIA AND OVERSEAS For Financial Services LTD
- Board Member of Societe de Services d'Assurance et de Marketing S.A.L.
- Member of the Board Risk Management Committee of BLOM DEVELOPMENT BANK S.A.L.

Dr. Fadi OSSEIRAN started his banking career at BLOM BANK S.A.L. as Assistant Dealer from 1981 to 1982. From 1990 until1993, he was Manager of Corporate Planning and Human Resources Development at Méditerranée Group Services.
From 1985 to 1987, he moved to teach in the Economics Department at the American University of Beirut and became Assistant Professor at the Institute of Money and Banking of AUB from 1988 to 1993.
Since 1994, he has been General Manager of BLOMINVEST BANK S.A.L. and Advisor to the Chairman – General Manager of BLOM BANK S.A.L. Dr. OSSEIRAN became a Member of the Board of Directors of BLOM BANK S.A.L. in 2008. He has been a Director of BLOMINVEST BANK SAUDI ARABIA since 2008.
Dr. OSSEIRAN has held the position of President of the Association of Stock Brokers in Beirut since 2004 and has been a Member of the Lebanese Economic Association since 2004. He was also Member of the Research Committee (1992-2006) and Member of the Training Committee (1994-1996) of the Association of Banks in Lebanon.
He was Board Member of the Lebanese Management Association from 1992 to 1996 and he was reelected in 2014, he has many publications in the Banking and Economics Fields.
Dr. OSSEIRAN is holder of a Ph.D. in Economics from New York University (NYU) in the United States.



Mr. Habib L. RAHAL
Executive Director and General Manager of BLOM BANK S.A.L.

- Born in 1944
- Director and General Manager of BLOM BANK S.A.L.
- Chairman & General Manager of AROPE INSURANCE S.A.L.
- Board Member of AROPE EGYPT LIFE INSURANCE
- Board Member of AROPE EGYPT PROPERTIES INSURANCE
- Member of the Board Risk Management Committee of BLOM BANK S.A.L.
- Member of the Board Consulting, Strategy and Corporate Governance Committee of BLOM BANK S.A.L.

Mr. Habib RAHAL started his banking experience at Société Centrale de Banques and occupied several managerial positions at Moscow Narodny Bank and Royal Bank of Canada before joining Banque du Crédit Populaire where he was appointed General Manager from 1974 to 1990.
In 1990, he joined BLOM BANK S.A.L. as Chairman's Advisor and was appointed in 1992 as the Bank's General Manager.
Mr. Habib RAHAL has been a Member of the Board of Directors of AROPE INSURANCE since 2004 and was elected its Chairman and General Manager in 2007.
Mr. RAHAL has been a Board Member of BLOM BANK S.A.L. since 2008 and a Board Member of BLOMINVEST BANK S.A.L. since 2001 till 2014.
He was also the Chairman of Société des Services d'Assurances et de Marketing since 2003 till 2014.
In 2008, he became Board Member of AROPE EGYPT LIFE INSURANCE and a Board Member of AROPE EGYPT PROPERTIES INSURANCE.

Mr. RAHAL represents BLOM BANK S.A.L. and sits as Director on the following Boards of Directors:
- Banque de L'Habitat and Société Financière du Liban
- BLOMINVEST BANK S.A.L.
- BLOM DEVELOPMENT BANK S.A.L.

Mr. Habib RAHAL is holder of a Bachelor Degree in Accounting & Economics from ESEC.

Mr. Nicolas N. SAADE
Independent Director of BLOM BANK S.A.L.

- Born in 1950
- Board Member of BLOM DEVELOPMENT BANK S.A.L.
- Board Member of BLOM BANK QATAR
- Board Member of BLOMINVEST BANK S.A.L.
- Head of the Board Audit Committee at BLOM BANK S.A.L.
- Head of the Board Risk Management Committee of BLOM BANK QATAR
- Head of the Board Consulting, Strategy and Corporate Governance Committee of BLOM BANK S.A.L.
- Head of the Board Audit Committee of BLOMINVEST BANK S.A.L.
- Head of the Board Audit Committee of BLOM BANK QATAR
- Head of the Board Audit Committee of BLOM DEVELOPMENT BANK S.A.L.
- Member of the Board Nomination and Remuneration Committee of BLOMINVEST BANK S.A.L.
- Member of the Board Nomination and Remuneration Committee of BLOM DEVELOPMENT BANK S.A.L.

Mr. Nicolas SAADE has been a Board Director of BLOM BANK S.A.L. since 1990.
From April 1985 to July 1987, he was Regional Manager of BLOM BANK S.A.L. in Dubai, UAE.

Between 1980 and 1985, he was Deputy General Manager of Union de Banques en Côte d'Ivoire (BANAFRIQUE).

In 1975, he joined the Toronto Dominion Bank in which he stayed until July 1980, occupying various managerial positions.

Mr. Nicolas SAADE is the owner and Managing Director of the Nicolas SAADE Est. in Dubai, which is a banking, investment and financial consulting firm. He is also the Managing Director of Elite Consultants International, Inc. in Delaware, USA, an SEC registered investment advisory firm, and owner of Pioneer Auditing in Dubai. Previously, he was Fund Manager at Royal Life International and Friends Provident International Elite Fund in the Isle of Man.

Mr. Nicolas SAADE is holder of an Honors BA in Economics from McMaster University in Canada and has an MBA in Banking and Financial Management from Wharton School, University of Pennsylvania, USA.

Mr. Joseph E. KHARRAT

Independent Director of BLOM BANK S.A.L.

- Born in 1941
- Board Member of BLOMINVEST BANK S.A.L.
- Member of the Board Audit Committee at BLOM BANK S.A.L.
- Member of the Board Nomination and Remuneration Committee of BLOM BANK S.A.L.
- Member of the Board Consulting, Strategy and Corporate Governance Committee of BLOM BANK S.A.L.
- Board Member of Banorabe SA, SPF
- Member of the Board Audit committee of BLOMINVEST BANK S.A.L.
- Member of the Board Nomination and Remuneration Committee of BLOMINVEST BANK S.A.L.

Mr. Joseph KHARRAT has been an independent Director of BLOM BANK S.A.L. since 1984 to date. He has been a Board Member of BLOMINVEST BANK S.A.L. since 1994 to date.

He is Chairman and General Manager of several textile and real estate companies of which: Kamaco S.A.L., Satexi (Abidjian) and Kharrat Immobilière (Abidjian).

Mr. Joseph KHARRAT is holder of a Bachelor degree in Economics from Reading University in the U.K.

Mr. Marwan T. JAROUDI

Independent Director of BLOM BANK S.A.L.

- Born in 1959
- Board Member of BLOM BANK FRANCE
- Board Member of BLOMINVEST BANK S.A.L.
- Board Member of BLOMINVEST SAUDI ARABIA
- Board Member and Vice Chairman of BLOM BANK QATAR since 2008
- Board Member of AROPE INSURANCE S.A.L.
- Board Member of AROPE SYRIA
- Board Member of Banorabe S.A., SPF
- Board Member of BLOM DEVELOPMENT BANK S.A.L.
- Head of the Board Risk Management Committee of BLOM BANK S.A.L.
- Member of the Board Consulting, Strategy and Corporate Governance Committee of BLOM BANK S.A.L.
- Head of the Board Nomination and Remuneration Committee of BLOM BANK S.A.L.
- Member of the Board Audit Committee of BLOM BANK S.A.L.
- Member of the Board Audit Committee of BLOM BANK FRANCE
- Member of the Board Audit Committee of BLOM DEVELOPMENT BANK S.A.L.
- Head of the Board Corporate Governance Committee of BLOM DEVELOPMENT BANK S.A.L.
- Member of the Board Audit Committee of BLOMINVEST BANK S.A.L.
- Head of the Board Risk Management Committee of BLOMINVEST BANK S.A.L.
- Head of the Board Nomination and Remuneration Committee of BLOM DEVELOPMENT BANK S.A.L.
- Head of the Board Nomination and Remuneration Committee of BLOMINVEST BANK S.A.L

Mr. Marwan JAROUDI currently sits on the Board of Directors of the following Companies: Industry Intelligence Inc., Los Angeles - USA, Forestweb, Inc., Los Angeles, United Shareholders.

He is Co-Founder, Director of Industry Intelligence Inc., Los Angeles – California, since 2007.

Since 1999, he occupies the position of Co-Founder, Director of Forestweb, Inc., Los Angeles.

From 1996 until 1999, he was Co-Founder, Managing Director of Pulptrade - Choueifat, Lebanon.

From 1985 until 1995, Mr. JAROUDI occupied a number of managerial positions at Saudi Hollandi Bank in Jeddah.

From 1989 until 1991, he was Co-Founder and Finance Director at Gulf Medical Co ltd.

Mr. JAROUDI is holder of a Master of Arts degree in Economics from Syracuse University in New York and has a BA in Economics from the American University of Beirut.

Me. Antoine J. MERHEB
Independent Director of BLOM BANK S.A.L.

- Born in 1939
- Independent Member of the Board of Directors of BLOM BANK S.A.L. since April 2014
- Member of the Board Nomination and Remuneration Committee of BLOM BANK S.A.L. since April 2014
- Member of the Board Risk Management Committee of BLOM BANK S.A.L.

Mr. Antoine Merheb has been elected in 2014 as member of the Board of Directors of BLOM BANK S.A.L.

He started his professional career in 1961 as employee in Credit Foncier d'Algerie et de Tunisie in Beirut.

He holds two diplomas in Lebanese and French Law from Saint Joseph University of Beirut. He was admitted to the Beirut Bar Association in 1964 and practiced his training at the law firm of his Excellency Mr. Michel Edde of which he became thereafter one of its partners.

In 1977 he joined the law firm of late khalyl Abouhamad (Former Minister of Foreign Affairs) with whom he created a partnership known currently as "Abouhamad, Merheb, Chamoun, Chedid" Law Firm.

He is a former member of the Paris Bar Association.

He is member of the Legal Committee of the Lebanese Banks Association and was member of the Committee of Modernization and Coordination of Banking Laws at the Central Bank of Lebanon, and member of many teams in charge of drafting several bills regarding the modernization of the corporate laws as well as banking and financial laws.

Mr. Saeb A.K. EL ZEIN
Independent Director of BLOM BANK S.A.L.

- Born in 1958
- Independent Member of the Board of Directors of BLOM BANK S.A.L. since April 2014
- Member of the Board Risk Management Committee of BLOM BANK S.A.L. since April 2014

Mr. EL ZEIN started his career in the global financial industry in 1980.

Currently based in Dubai, Mr. EL ZEIN is a Partner with Spinnaker Capital Group; a leading global Emerging Markets investment manager. Mr. EL ZEIN is a Managing Partner for Spinnaker Capital (Middle East) Limited; he is responsible for managing Spinnaker's financial investments in the Middle East and North Africa. He joined Spinnaker Capital Group in 2008.

From 1994 – 2008 Mr. EL ZEIN worked at Credit Suisse in the Investment Banking and Capital Markets divisions mostly in London. As a Managing Director based in London and Dubai, he was responsible for the institutional liability management, Debt and Equity Capital Markets in the MENA region, he also lead the Investment Banking Coverage, and Emerging Europe Debt Capital Markets. During his tenure at Credit Suisse, he was the lead banker for numerous Landmark transactions in international bond issuances, IPOs, Merger & Acquisition, and privatizations transactions for major Corporates, Financial Institutions and Governments.

From 1988 - 1994 Mr. EL ZEIN was a Director with Deutsche Bank AG, London, where he was the Head of Southern Europe and Middle East Fixed Income.

From 1982 - 1988 he worked at Arab International Finance, London, as a global multi-asset portfolio manager.

From 1980 - 1981 he was an Analyst at the Central Bank of Lebanon, Beirut, at the Office of the Governor.

He has been a member of the Board of Directors of the Beirut Stock Exchange since 1998, and served between 2007-2008 on the Board of Directors of Credit Suisse-Lebanon.

Mr. EL ZEIN received his B.B.A and M.B.A from the American University of Beirut in 1979 and 1981.

Dr. Jassim A. AL-MANNAI

Independent Director of BLOM BANK S.A.L.
Since April 2015

- Born in 1948
- Member of the Board of Directors of BLOM BANK S.A.L. since April 2015
- Member of the Board Audit Committee of BLOM BANK S.A.L.
- Member of the Board Consulting, Strategy and Corporate Governance Committee of BLOM BANK S.A.L.
- Elected by the indepedent Directors in 2015 as Lead Director for BLOM BANK S.A.L. for 1 year.

Dr. Al Mannai started his career as Head of Industrial Development Unit at the Ministry of Development and Industry in Bahrain, and then as Director of Planning and Economic Affairs at the Ministry of Finance and National Economy in Bahrain.

From 1980 till 1994, Dr. Al Mannai has been Board Member of several notable companies in the Gulf region, and has been appointed Chairman of the Inter Arab Rating Company E.C. from 1999 till 2001.

Dr. Al Mannai served as Senior Vice President (Planning and Research) at Gulf Investment Corporation, KUWAIT from 1984 till 1987 and as Executive Vice President and Head of Projects Group in the same corporation from 1987 till 1994.

From 1994 till 2014, he was Director General Chairman of the Board of the Arab Monetary Fund and Chief Executive Chairman of the Board of the Arab Trade Financing Program both in Abu Dhabi.

Dr. Al Mannai is holder of a Doctorate in Economic Development from Sorbonne University, France.

Mr. Amr N. AZHARI

General Manager of BLOM BANK S.A.L.
Executive Director of BLOM BANK S.A.L. since April 2015

- Born in 1970
- Executive Member of the Board of Directors of BLOM BANK S.A.L. since April 2015
- Chairman and General Manager of BLOM DEVELOPMENT BANK (BDB) S.A.L.
- Executive Board Member of BANK OF SYRIA AND OVERSEAS (BSO)
- Vice Chairman of Syria International Insurance (Arope Syria)
- Chairman of Syria and Overseas for Financial Services (SOFS)
- Member of the Board Risk Management Committee of BLOM BANK S.A.L.
- Member of the Board Risk Management Committee of BLOM DEVELOPMENT BANK S.A.L.

Mr. Amr AZHARI started his banking experience in 1991 at Banque Banorabe –Paris. From 1991 to 1992, he worked at Gestion Pictet and Pictet & Cie Montreal - Canada, and from 1995 to 1997 he occupied the position of Assistant Manager – Banque Banorient, Geneva – Switzerland.

From 1997 to 2004 Mr. Amr Azhari held several positions in Banque Banorabe (Blom Bank France) Paris and Dubai branches.

In 2004 Mr. Azhari was nominated Vice-Chairman of BSO and Assistant General Manager of BLOM BANK S.A.L.

In 2006, in addition to the above, Mr. Azhari became Chairman of Arope Syria (Vice-Chairman starting February 2015).

In 2008 he was nominated as General Manager of BLOM BANK S.A.L. and elected as Chairman & General Manager of BDB.

Mr. Azhari served as a Board Member of the Damascus Stock Exchange from 2006 to 2009.

In 2009 he was elected as Chairman of SOFS.

In 2010, he was elected as CEO of BSO . He occupied this position until he became an Executive Board Member of the Bank in 2014.

Mr. Amr AZHARI holds the following degrees from McGill University – Montreal, Canada: Master of Business Administration, Bachelor of Civil Law and Bachelor of Arts, major in Economics.

4.3 Board Meetings Held in 2014

The following BLOM BANK S.A.L. board meetings were held during 2014

5/2/2014	**18/3/2014**	**9/4/2014**	**13/6/2014**	**18/7/2014**
12/9/2014	**7/11/2014**	**18/12/2014**		

5. Information on Key Members of BLOM BANK S.A.L. Management

Mr. Elias E. ARACTINGI
General Manager of BLOM BANK S.A.L.

- Born in 1959
- Member of the Board of BLOM BANK EGYPT
- Member of the Corporate Governance and Compensation Committee of BLOM BANK EGYPT
- Member of the Board of Société Foncière du Liban et d'Outre-Mer S.A.L
- Member of the Board of Société de Services d'Assurance et de Marketing S.A.L

Mr. Elias ARACTINGI started his banking career in 1983 at Bank Audi USA in New York where he was promoted several times until he reached the title of Vice President and Head of Operations. He joined BSI (Banca della Svizzera Italiana)'s New York branch in 1988 as Vice President in the International Private Banking Group.

In 1990, Mr. ARACTINGI joined Booz Allen and Hamilton based in Singapore as an Associate and was promoted to Senior Associate in 1993, then to manager of the Bangkok office in 1994 and finally to Principal in 1995.

At the end of 1995, he joined BLOM BANK S.A.L. in Beirut as Advisor to the Chairman, focusing on branch and head office reengineering. In 1997, he initiated BLOM BANK's Retail Banking activities.

In addition to his duties at BLOM BANK S.A.L., Mr. ARACTINGI held twice the position of Managing Director/CEO of BLOM BANK Egypt, in 2006 and 2009.

He was promoted to Deputy General Manager of BLOM BANK S.A.L. in 2009 and to General Manager in 2013.

Mr. Elias ARACTINGI holds a Bachelor Degree in Business Administration with distinction from the American University of Beirut and an MBA in Finance from Columbia University's Graduate School of Business.

Dr. Pierre G. ABOU-EZZE
Assistant General Manager
Head of Human Resources at BLOM BANK S.A.L.

- Born in 1955

Dr. Pierre ABOU-EZZE, Assistant General Manager at BLOM BANK S.A.L., has over 20 years of hands-on experience in Human Resources. He has been the Head of HR at BLOM BANK S.A.L. since 1998, and he served as Advisor to the Chairman on training issues from 1995 to 1998.

Prior to joining BLOM BANK S.A.L., DR. ABOU-EZZE was in academia. He served as the Director of the Graduate School of Business and Management at the American University of Beirut from 1993 to 1996, and he was Assistant Professor at the same school from 1991 to 1997.

Before moving back to Lebanon, Dr. ABOU-EZZE started his career as an Assistant Professor of Economics at the University of Ottawa, Canada, and at the University of Kuwait.

Dr. ABOU-EZZE continues to lecture at various Universities in Lebanon, and to lead seminars and workshops in the field of Human Resources. He served as the Chairman of the Human Resources & Social Affairs Committee at the Association of Banks in Lebanon for 2 consecutive terms from 2005 to 2009. Dr. ABOU-EZZE holds a Ph.D in Economics from McMaster University, Hamilton, Canada.

Mr. Talal A. BABA
Assistant General Manager
Chief Financial Officer at BLOM BANK S.A.L.

- Born in 1967
- Member of the Board of Société Foncière du Liban et d'Outre-Mer S.A.L

Mr. Talal Baba is the Chief Financial Officer. He was appointed as Assistant General Manager on July 2008.

Mr. Baba is committed to maintaining the high level of integrity and transparency that BLOM BANK S.A.L. is known for.

He joined BLOM BANK S.A.L. in 1991 where he started to excel and climb his career ladder. He has now over 23 years of banking experience acquired with major banking players on the Lebanese market. He also attended various training programs and workshops in Lebanon and abroad.

Mr. Baba earned his Bachelor's degree in Accounting and his Master in Business Administration from the Lebanese American University – Beirut.

Mrs. Jocelyne Y. CHAHWAN

Assistant General Manager
Head of Retail Banking at BLOM BANK S.A.L.

- Born in 1965
- Member of the VISA CEMEA Business Council

Mrs. Jocelyne CHAHWAN started her banking career in 1990 at the Bank of Montreal in Montreal where she was promoted several times until she reached the title of Manager/Investment Services.

In March 1996, she joined BLOM BANK S.A.L. in Beirut and became the Head of the Training & Development Department. In 1999, she moved to Retail Banking as Head of the Marketing Division.

In 2009, she was promoted to the position of Deputy Head of Retail Banking.

In October 2011, she became the first Lebanese Banker on VISA's advisory council for the Levant, and is now part of the VISA CEMEA Business Council.

In December 2011, she was promoted to Assistant General Manager and in July 2013, she was appointed as Head of Retail Banking.

Mrs. Jocelyne CHAHWAN holds a Master of Business Administration from Ecole Supérieure des Affaires (ESA).

Mr. Antoine N. LAWANDOS

Assistant General Manager
Chief Information Officer at BLOM BANK S.A.L.

- Born in 1963
- Represents BLOM BANK S.A.L. on the board of Interbank Payment Network (IPN)
- Represents BLOM BANK S.A.L. at the ABL Committee for Organization, Standardization and Information Technology

Mr. Antoine LAWANDOS started his career in 1986 by joining ISTISHARAT, a leading software house, where he was quickly promoted to HEAD OF PRODUCTION UNIT OF BANKING SOFTWARE and where he acquired extensive experience in managing the development, implementation and integration of complex and mission-critical universal banking systems. Also, he was one of the main contributors in building and exporting a well-known locally-developed core banking system (ICBS) to renowned banks in Europe and KSA, a pioneering step at that time.

Before joining BLOM BANK S.A.L., Mr. LAWANDOS held the position of SYSTEMS ENGINEERING DEPARTMENT MANAGER at IBM's representative bureau in Lebanon and that of PROJECT MANAGER at MDSL, a well-known core banking solutions vendor, for the implementation of a reputable Irish core banking application in Lebanon.

In 1993, Mr. LAWANDOS joined BLOM BANK S.A.L. as the PROJECT DIRECTOR for leading the bank's core banking application change and soon after, he became the SENIOR MANAGER of the INFORMATION TECHNOLOGY AND SYSTEMS DEVELOPMENT DEPARTMENT in 1995.
In 2006, Mr. LAWANDOS became BLOM BANK's CHIEF INFORMATION OFFICER and in 2008, he was appointed ASSISTANT GENERAL MANAGER of BLOM BANK S.A.L. in addition to being the bank's CHIEF INFORMATION OFFICER.

Mr. LAWANDOS holds a MASTER OF ENGINEERING degree in ELECTRONICS AND INFORMATION SYSTEMS from Université Saint-Jospeh's School of Engineering – ESIB and has an extensive experience in leading mission-critical core systems transformation and implementation initiatives, in particular those related to core banking applications; has a multi-national exposure to diverse banking markets and practices; and has a proven expertise in aligning IT Strategies with business goals as well as in devising technology-driven innovative products and services.

6. BLOM BANK S.A.L. Commercial Arrangements

Any commercial arrangement between the Bank and any of its affiliates is pre-approved by the General Assembly of Shareholders of the Bank and of the concerned affiliate according to art. 158 of the Lebanese commerce law, when applicable.

No change of control has occurred during 2014.

7. General Management of BLOM BANK S.A.L.

Chairman & General Manager	
Mr. Saad AZHARI	
Secretary General / BLOM Group	
Mr. Samer AZHARI	
General Managers	
Mr. Habib RAHAL	
Mr. Amr AZHARI	
Mr. Elias ARACTINGI	
Assistant General Managers (*)	
Dr. Pierre ABOU EZZE	Human Resources
Mr. Talal BABA	Finance & Treasury
Mrs. Jocelyne CHAHWAN	Retail Banking
Mr. Antoine LAWANDOS	Information Systems
Advisors (*)	
Mr. Michel AZZAM	Advisor to the General Management
Sheikh Fahim MO’DAD	Chairman Advisor
Mr. Georges SAYEGH	Advisor to the General Management
Corporate Secretary	
Me. Aimée SAYEGH	
Group Trade Finance Advisor	
Mr. Jacques SABOUNJI	

(*) By Alphabetical Order

DIVISIONS, DEPARTMENTS & UNITS*	
Administration	Mr. Mohammad MARRACH
Central Funds Transfer	Mrs. Rima HAJJAR (EL)
Central Operations & Group Strategic Planning	Mr. Talal IBRAHIM
Communication	Mrs. Isabelle NAOUM
Corporate Credit Relationship	Mr. Samir KASSIS
Credit & Facilities	Mr. Mounir TOUKAN
Finance	Mr. Talal BABA
Financial Institutions	Mrs. Rana BEYDOUN
Forex	Mr. Gladson DOGHLASS
Group Compliance	Mr. Malek COSTA
Group Customer Advocacy	Mrs. Ayla DAME
Group Inspection	Mr. Naoum RAPHAEL
Group Internal Audit	Mrs. Rania KAISSI
Group Risk Management	Mr. Gérard RIZK

DIVISIONS, DEPARTMENTS & UNITS*	
Human Resources	Dr. Pierre ABOU EZZE
Information Systems	Mr. Antoine LAWANDOS
External Legal Affairs	Me. Grace ASMAR**
Internal Legal Affairs	Me. Nabil ABOU HAMAD
Liability Product Management	Mr. Mohamad Mokhtar KASSEM
Marketing Overseas	Mr. Fouad SAID
Marketing Overseas – Gulf Region	Mr. Marcel ABOU JAOUDE
Recovery	Ms. Hiba CHERIF
Retail Banking	Mrs. Jocelyne CHAHWAN
SMEs Relationship	Mr. Charles HADDAD
Syrian Desk	Mr. Boutros KHOURY
Trade Finance	Dr. Massoud KANTAR
Treasury	Mr. Marwan ABOU KHALIL

(*) As of June 2015   (**) Me. Grace Asmar is currently Acting External Legal Affairs Manager

CONFIDENCE

244 BRANCHES

13 COUNTRIES

" When I see that cedar on the door of BLOM BANK away from home, I feel confident that my interests are in safe hands "

We expanded in 13 countries and enlarged our network to 244 branches.

Management Discussion & Analysis 2014

1. Operating Environment

The global economy continued to grow during last year, however at a modest rate of 3.4%. As in 2013, global growth in 2014 was mainly pulled by the improved growth in advanced economies, while that of emerging and developing economies slowed down. Central banks in the US and Europe continue to monitor inflation rates especially that oil prices have drastically declined and domestic demand in Europe was still weak by the last quarter of 2014, with the weakness in inflation outcome reflected by the decline in long-term government bond yields. However deflationary pressures seem to have faded following the quantitative easing adopted by the European Central Bank.

The US and UK continued to be ahead of European countries in their business cycle with the two countries recording economic growth of 2.4% and 2.6% respectively in 2014 while the Euro Area grew by only 0.9%. Unemployment in the US continued its declining trend and ended the year at 5.6%, 1.1 percentage point below 2013's level. The UK witnessed the same trend with unemployment registering 5.7% by end 2014 compared to 7.2% at end 2013.

In continental Europe, economic growth displayed dissimilar evolution from one country to another as Germany and Spain achieved much better economic growth than France and Italy. Germany and Spain recorded 1.6% and 1.4% of real growth rates respectively, whereas France barely grew by 0.4% and Italy's economy contracted by 0.4% in 2014.

We mentioned in last year's report that it is important to monitor how the exit from unconventional monetary policies will unfold in the coming years. However with the extremely low interest rates in the US, which will start to increase only later in the year, and the quantitative easing adopted by the ECB, gross monetary policy remains aggressively stimulative. Central banks seem to have accepted asset bubbles in order to provoke an upward shift in current spending. Nonetheless the initial impact of central banks policies has been more gradual in generating strength in real economic growth due to regulatory tightening that forced deleveraging of financial intermediaries, voluntary deleveraging by banks to rebuild their damaged balance sheets, and deleveraging of debt by private sector borrowers. The high level of public debt that held governments from using fiscal stimulus also contributed to the tightening policies.

The US stock market had a good year. The S&P 500 ended 2014 at 2,088.77 points, more than 11% annual increase. The economy shook off the strains imposed by the fiscal tightening early in the year and created jobs, elements which allowed the Fed to end the quantitative easing and start considering tightening the monetary policy but at a very slow pace communicating to the markets that interest rates will remain low for at least the mid of 2016 even though the tightening cycle may start in the last quarter of this year.

In Europe things were less appealing. The Euro Stoxx registered a 1.4% yearly gain, closing at 318.72 points. Although the continent was out of recession, the European Central Bank (ECB) started its quantitative easing to fight deflationary pressures and stimulate domestic consumption.

In the MENA region, challenges have increased as instability is amplified by the developments in Yemen, Iraq, and Syria and oil prices have tumbled. The decline in oil prices is having two opposite repercussions: one is positive on oil importing countries and the other is negative on oil exporting countries. Real economic growth in the MENA reached 2.4%, a slightly better performance than the 2.3% of 2013. Inflation declined from 10.3% in 2013 to 6.7% last year.

Economic growth was led by the Gulf Cooperation Council's (GCC) countries, despite the decline in oil prices in the second half of the year. Real GDP growth in the GCC countries alone recorded 3.6% last year, same rate as the previous year. Inflation remained also subdued registering 2.6% in 2014. Qatar was the best performer with real growth at 6.1%, while Bahrain recorded a growth rate of 4.7%, and Saudi Arabia and UAE came in third place at 3.6% each.

In oil-importing countries, growth was about 2.5% in 2014, a small decline from 2.7% the previous year. The weak confidence especially in countries with political instability, and/or bearing spillovers from regional conflicts, was behind the decline. The increased intensity of wars in different countries of the region put many strains on the other countries especially Lebanon with a growth rate of 2%. Egypt had also its share of instability and ended 2014 with a sluggish growth of 2.2%. Inflation remained stable albeit at a high level of 10%. It is Egypt and Sudan who had the highest inflation rates of 10.1% and 36.9% which pushed up the inflation rate of oil importing countries.

Most of Arab bourses ended 2014 in the green except for Saudi Arabia that was negatively impacted by the fall in oil prices. Even countries with wars or with some instability have succeeded to post positive gains in their stock indices. The best performer was Egypt followed by Dubai.

The Egyptian stock exchange recorded a positive performance in 2014 and showed strength despite the country's circumstances and the newly imposed taxes on distributed dividends and capital gains (that was lately reversed). Hence, investors' high interest that overrode the new rules with the EGX30 surging by an annual 31.6% to 8,927 points by the end of 2014.

The Amman Stock Exchange (ASE) ended 2014 on a positive note, and performed well in the face of regional turbulence with its impact on the political front and in the face of a significant drop in oil prices with its impact on the economic front. The ASE, as of end-December 2014, posted a y-o-y increase of 4.82% to 2,165.46 points.

Despite the political and security developments that continued to distress investor sentiment, the Beirut Stock Exchange managed to end the year with a slight increase. The BLOM Stock Index (BSI) gained 1.75% yoy to 1,170.26 points by end of December, 2014.

Falling oil prices impacted investor's sentiment negatively in Qatar and Saudi Arabia. However the decline of the Doha Stock Market Index (DSMI) by 10.51% quarter-on-quarter in the last quarter of the year couldn't offset the large positive performance witnessed during the first half of the year. Hence the DSMI ended the year at 12,285.78 points, an 18.36% increase from 2013. At the same time, the Tadawul Stock Index ended the year 2014 at 8,333.30 points, a 2.37% decline from last year.

The Damascus Stock Index gained 2% in 2014 following the trade of 25M shares worth SYP 3.3B. The total number of shareholders exceeded 55,000 and the total number of listed companies increased to 24 after the listing of Cham Bank and Al Baraka Bank on the Damascus Stock Exchange.

Despite a frailer trading, Dubai and Abu Dhabi bourses ended 2014 in the green. The former's stock index edged up by 12.0% y-o-y to 3,774.0 points, while Abu Dhabi's index posted a 5.6% uptick to 4,528.93 points.

The Lebanese economy in 2014: positive growth despite uncertainties

In Lebanon, economic growth remained positive in 2014 despite the difficult political, security, and external situations. The Lebanese economy went through difficult times in 2014 except for the formation of a cabinet towards the end of the first quarter. Apart from this positive event, the country witnessed gunmen clashes in the North, a political deadlock keeping the country without a president since May 2014, a bomb explosion at the outskirts of Beirut and another bombing 35 km east of the capital on the international Beirut Damascus road, clashes that took place in Arsal between the Lebanese Army and Extremists, and the parliament extending its own mandate. The spillovers from the Syrian conflict are having a negative ongoing impact on Lebanon estimated at USD 7.5 billion by the World Bank. Hence real GDP registered a 2% growth rate in 2014, slightly better than the 1-1.5% growth registered in 2013.

The Purchasing Managers' Index for Lebanon (BLOM PMI) that measures business activity of the private sector remained below the 50 benchmark separating expansion from contraction for the whole year of 2014. Some periods of the year were characterized by an accelerating contraction while other periods had a deceleration in the contracting private sector activity. Of course the events mentioned above also had their toll on the business activity. As in 2013, tourism, construction, and retail were the most hit sectors in the economy.

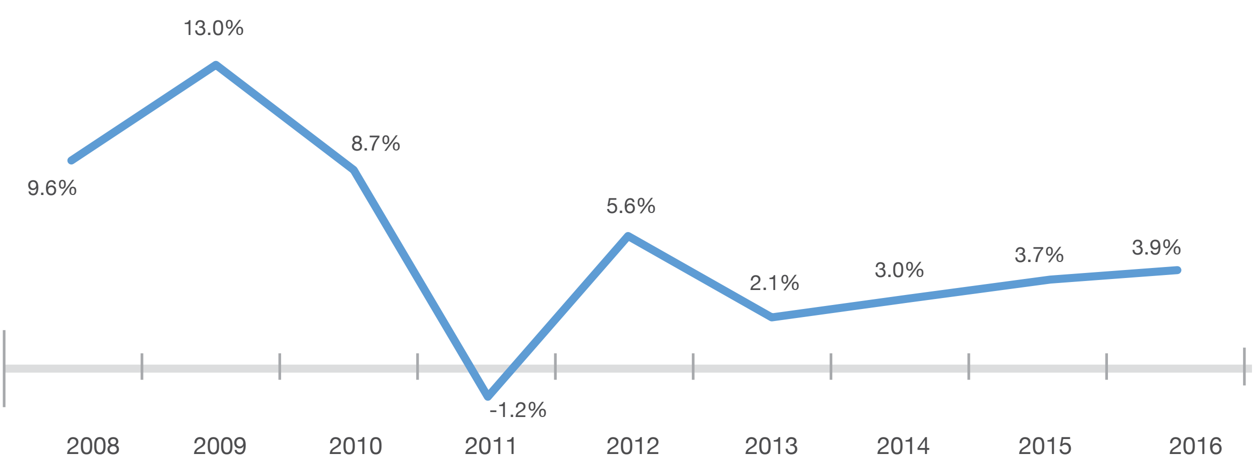
The consumer price index increased at an average rate of 1.86% in 2014.This subdued inflation rate mirrors not only the weak levels of demand and consumption, but also the decline in oil prices in the second half of the year that reduced transportation costs on one hand, and the Euro depreciation that cheapened prices of imported European products on the other hand.

The slowdown in domestic demand and consumption after 2010 lies behind the weaker GDP growth. According to Business Monitor International, the real growth of private final consumption slumped from 8.7% in 2010 to -1.2% in 2011. After recovering from this low base, the real growth of private final consumption settled at a low floor reaching 3.0% in 2014.

2015 economic performance is expected to be the same as in 2014. However more pressure is being felt by the private sector due to the low growth rate and the drying foreign direct investments and capital inflows that are leading to a negative balance of payments.

Some positive signals have alleviated the impact of the former indicators, such as the declining oil prices and the depreciation of the Euro. Of course some challenges remain, noticeably the salary scale issue and the election of a President. However the security situation has drastically improved and some of the controversial issues have been tackled at the council of ministers.

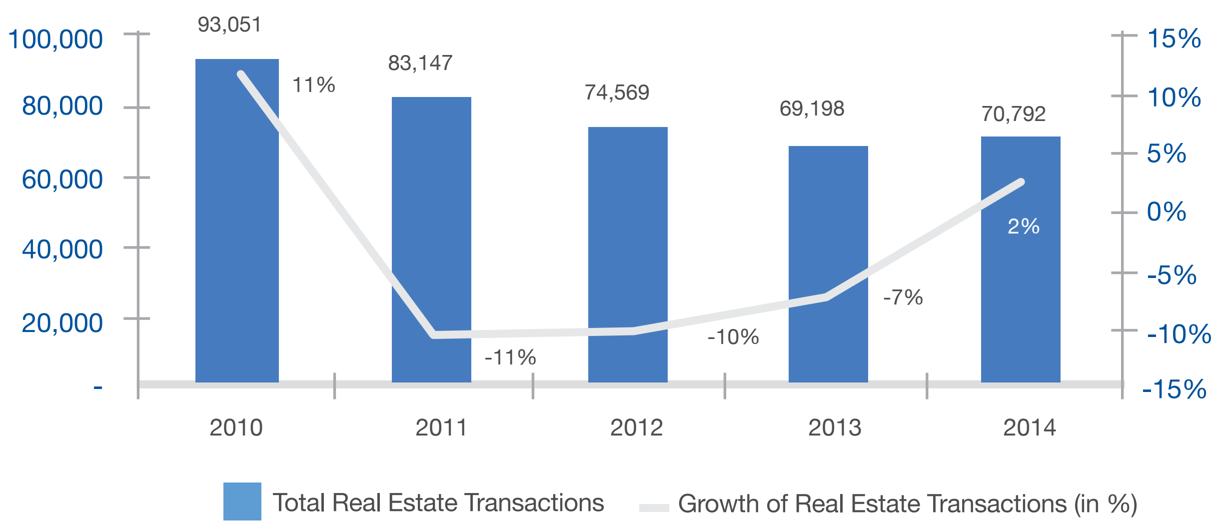
Real Year-on-Year Growth of Private Final Consumption



Source: Business Monitor International

Overview of Real Estate and Construction Performance in 2014

Evolution of Total Real Estate Transactions

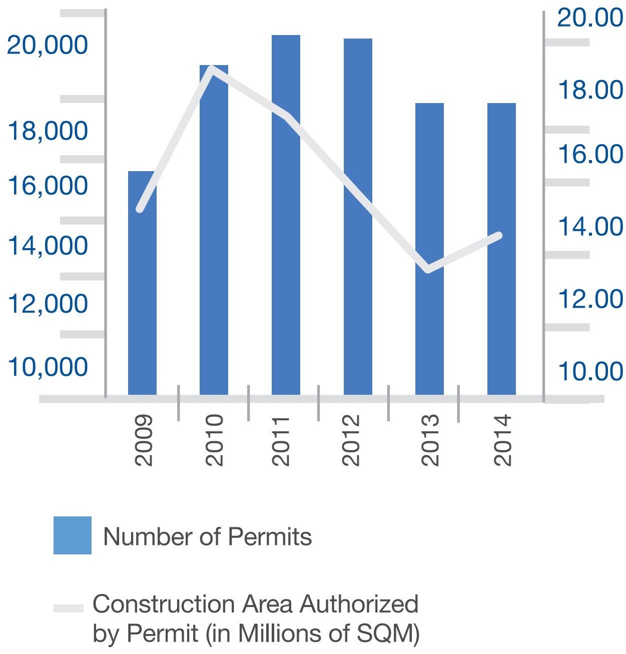


Source: Cadastre

In 2014, mixed political signs shaped the local demand for real estate. In the first half of the year, activity in the Lebanese real estate market got little breathing space despite the escalating challenges that were undergoing in Lebanon and the region. Investors revealed optimistic prospects about the year and translated their hopes in both the construction and real estate markets. This resulted from the long-awaited Cabinet formation in February along with a firm security plan that managed to reduce security incidents in several Lebanese regions. However, the presidential vacuum that started by the end of May painted the second half of the year and was coupled with series of security incidents topped by the hostage of Lebanese soldiers by militants in Arsal in the first week of August.

Construction costs declined, partly impacted by the Euro's depreciation. Noting that Lebanese developers heavily rely on the European building materials for design and decoration purposes (such as ceramic and marble from Italy and Spain), their imports from the Euro Zone became cheaper. Worth mentioning that, the European official currency almost saw a 12% yearly slump, by the end of 2014, from €/$ 1.37 to €/$ 1.21. In fact, the MSCI World Construction Materials Index reflected as well the situation and dropped 13.6% y-o-y, which could explain the potential drop in Lebanon's construction costs.

Evolution of Construction Activity



Source: Orders of Engineers in Beirut and the North

Besides the negative repercussions of the Syrian crisis on the Lebanese real estate sector, contractors benefitted from the cheaper Syrian labor force. As several Syrian refugees were employed at low wages, the local workforce was facing fierce competition while real estate developers were enjoying cheaper labor costs and fewer obligations (when it comes to social security), which contributed in decreasing their construction costs even more.

Yet, Lebanese developers witnessed several challenges in 2014 of which the changing demand, the scarcity of land, the volatility of workforce availability and the economic slowdown. Choosing the location for their units amid ongoing security developments across the country and centralization of projects in the capital was another burden for real estate suppliers. Several developers failed to survive the economic slowdown and were forced to exit the market. This has partly left room to the remaining players, which were mainly the largest developers.

Cement deliveries, which are one of the earliest barometers of construction activity, posted a 5.4% y-o-y decline in 2014 to 5.52 million tons. Similarly, 2014 saw the number of authorized construction permits slightly slid by a yearly 0.36% to 16,663. However, the number of construction permits is not reflective of the precise volume of real estate supply in a specific time as applications are filed 6 months earlier and the execution of a permit is valid up to eight years from the date of issuance. Still, permits can disclose contractors' sentiments and expectations for the coming period.

Real estate demand remained stagnant in 2014 despite increasing real estate transactions. According to official data, the total number of real estate transactions (foreign and local) went up by 2.3% y-o-y by the end of 2014 to 70,792. Even though 2014's yearly increase followed 3 years of continuous drops, the total number of transactions remained well below 2011's and 2012's respective levels of 83,147 and 74,569. In addition, the number of real estate transactions reveals when ownership of the sold entities is recorded with the Cadastre in the Registrar of Deeds, knowing that the time frame to handover a residential unit requires at least 3 years and the majority of sales happen during or before the project is initiated. Thus, the increase in the average value per transaction by the end of 2014 does not necessarily indicate a growing demand or even an increase in the prices of real estate projects.

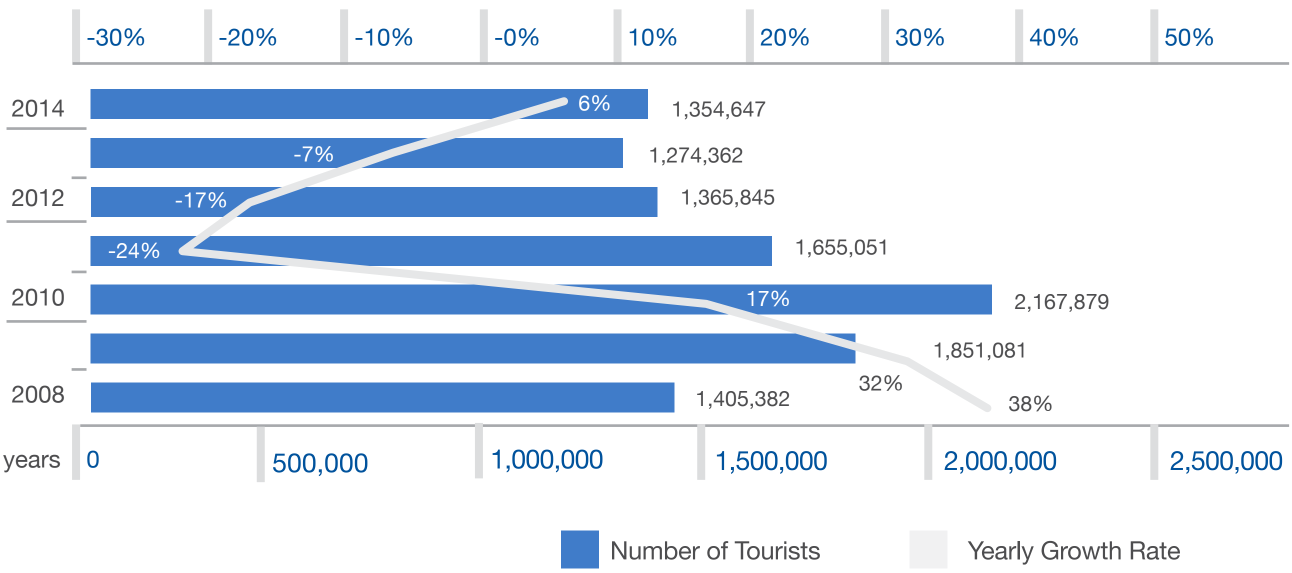
Tourism in Lebanon Burdened by Local and Regional Instabilities

In 2014, Lebanon continued to suffer from the spillovers of the raging Syrian war. The fragile security situation has been weighing on the tourism and hospitality sectors for the past four years. However, the number of tourist arrivals increased by a yearly 6% to 1.35 million in 2014, the first upturn since 2011. The number of Arab tourists represented the largest share of 34% in the total, and increased by 15% y-o-y to 460,822. This increase mainly stemmed from the 33% upturn in the number of incoming Iraqis to 189,156. However, Iraqi visitors regard Lebanon as a refuge from hostilities in their country rather than a leisure destination. The number of incoming Egyptians increased by a yearly 9% to reach 69,179 in 2014. The number of Saudi tourists, representing 10% of total Arab tourists, increased by 12% to 45,788.

As 2014 witnessed its own set of security events, the declining trend in the number of tourist arrivals extended its reach all the way towards July. It's only in the period August to December 2014 that the cumulative number of tourists' arrivals started posting limited upturns. This can be explained by the fact that during this period, the frequency of security incidents had receded.

According to Global Blue's Tourist spending report 2014, the largest spending emanated from Saudis, UAE nationals and Kuwaitis, with respective shares of 34%, 14% and 13%, respectively. However, these big spenders are no longer the main tourists coming to Lebanon.

Yearly Number of Tourists 2008-2014



Source: Ministry of Tourism

The share of big spenders such as Saudis dropped from 21% in 2010 to 10% in 2014, while the share of Kuwaitis fell from 11% in 2010 to 7% in 2014 and the one of UAE nationals fell from 5% in 2010 to 2% in 2014. However, the share of Iraqis surged from 15% in 2010 to 41% in 2014. Nonetheless and in addition to seeking Lebanon for refuge rather than leisure, the Iraqi visitors have a lower GDP per capita. This substantiates the fact that whatever increase tourist arrivals posted in December 2014 does not necessarily reflect a revival for the tourism industry.

European tourists represent the second largest bulk of tourists to Lebanon with a share of 33% in the total. The number of European tourists visiting Lebanon in 2014 rose by a yearly 3% to reach 447,668. In detail, the number of French tourists increased by a yearly 3% to 120,710 and the number of German tourists rose by a yearly 11% to 67,988. However, due to tensions at the Turkish-Syrian border, the number of incoming Turks to Lebanon tumbled by a yearly 32% to 16,126. The number of American tourists, representing 17% of the total, also posted a 7% upturn to reach 224,621 in 2014.

Public Finance General Overview

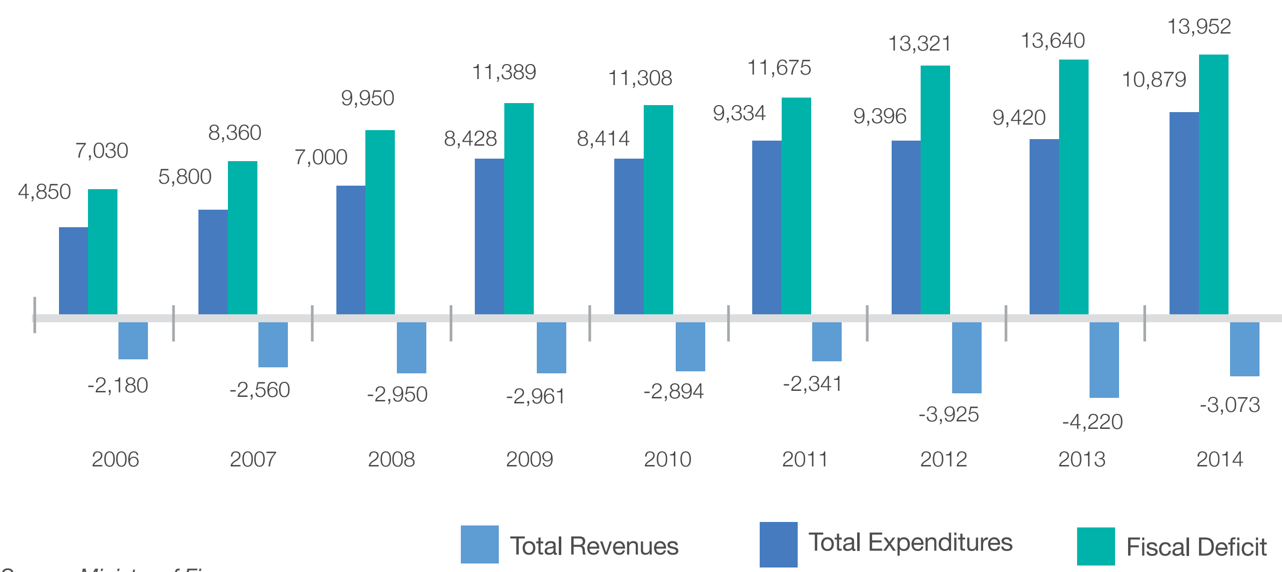
Lebanon's fiscal balance recorded a significant improvement in 2014. The deficit narrowed by a yearly 27% to USD 3.07 billion, according to the Ministry of Finance. Total revenues grew by a yearly 15.48% to USD 10.88 billion and outpaced the 2% yearly growth in total expenditures to USD 13.95 billion. The share of the fiscal deficit in the Gross Domestic Product (GDP) retracted from 9.3% in 2013 to 6.4% in 2014.

The primary balance, referring to the fiscal balance excluding debt service, recovered after two years of being in the red. Lebanon's primary balance stood at USD 1.31 billion in 2014 as compared to deficits of USD 239.68 million in 2013 and USD 109.87 million in 2012. The share of the primary balance in GDP also recovered from a deficit of 0.53% in 2013 to a surplus of 2.73% in 2014.

Revenues registered upturns across the board. Both tax and non-tax revenues boosted total budget revenues in 2014. Budget revenues increased from USD 8.88 billion in 2013 to USD 9.78 billion in 2014, as tax revenues rose from USD 6.71 billion in 2013 to USD 6.89 billion in 2014 and as non-tax revenues increased from USD 2.17 billion in 2013 to USD 2.89 billion in 2014. Treasury receipts also grew from USD 541.30 million in 2013 to USD 1.1 billion in 2014.

In 2014, the Value Added Tax (VAT) generated almost the same revenues as in 2013. The VAT generated USD 2.19 billion in revenues in 2014 as compared to USD 2.18 billion in 2013. The fact that the VAT revenues remained almost steady can be explained by two things: first, the improved collection of VAT along with the adherence of new businesses to the VAT system; second, since the VAT is applied on both domestic and imported goods and since the value of collected customs' fees dropped in 2014, the small uptick in the VAT can be therefore linked to higher consumption of domestic goods.

Government Revenues, Expenditures and Fiscal Balance (USD million)



Source: Ministry of Finance

However, overall tax revenues have been subdued ever since economic growth started to slump back in 2011. Double-digit growth rates have gradually turned into either minor single-digit growth rates or into decreases. The few recoveries in growth posted by some categories of tax revenues are merely a recovery from a low-base.

Non-tax revenues increased from USD 2.17 billion in 2013 to USD 2.89 billion in 2014 mainly due to transfers from the Ministry of Telecom surplus. The Telecom revenues are by far the largest government non-tax revenues. Telecom revenues amounted to USD 2.01 billion in 2014, up by a substantial 41% from 2013's USD 1.43 billion. The increase in telecom transfers in 2014 was the core element ensuring the recovery of the primary deficit and the resorbing of the overall fiscal deficit. This upturn is however short-lived as it came about due to exceptional one-off transactions: The Ministry of Telecom transferred USD 1.3 billion over the period January-August 2014 to the Ministry of Finance. The Ministry of Finance also cashed-in on accrued telecom revenues worth USD 0.4 billion for the period January-May 2014 on behalf of municipalities. Since these revenues have not been redistributed to municipalities, they contributed in boosting non-tax revenues.

Had it not been for the one-off telecom transfers, the fiscal deficit would have represented 7.6% of GDP rather than 6.4% and the primary surplus would have represented 1.52% of GDP as compared to the actual 2.73%.

Total expenditures grew by a yearly 2.28% to reach USD 13.95 billion in 2014. Expenditures are mainly disbursed for Personnel Costs (salaries, wages, retirement and end of service indemnities) which represent 32% of total expenditures and which grew by a yearly 4% to reach USD 4.46 billion in 2014. Interest payments (on domestic and foreign debt) represent 30% of total expenditures while transfers to Electricité du Liban (EDL) constitute 15% of total expenditures.

Amongst these components, the largest yearly increase of 11% was registered in the value of interest payments which totaled USD 4.19 billion in 2014. This increase was mainly due to the 18% upturn in domestic interest payments to USD 2.61 billion and was due to a lesser extent to the 0.31% uptick in foreign interest payments to USD 1.58 billion.

As for transfers to EDL, they increased in 2014 in spite of the slump in oil prices. The effect of lower oil prices has not been materialized in lower transfers to EDL since the transfers of 2014 correspond to a previous consumption period. An illustrative example: The January to August 2014 fuel oil bill is related to the consumption period August 2013 – April 2014, during which the slump in oil prices has not yet started. However, in the coming period, the effect of low oil prices is bound to be reflected in lower transfers to EDL.

The structure of the government's expenditures reveals the marginalization of capital expenditures. Current expenditures make up 96% of total expenditures while capital expenditures, excluding the foreign financed parts of the projects that are provided directly to the Council of Development and Reconstruction, make up only 4% of total expenditures. The importance of capital expenditures lies in the fact that they are destined for long-term investments aimed at boosting the country's infrastructure: Building roads, airports, water networks… etc. and hence increasing the potential gross domestic product of the economy.

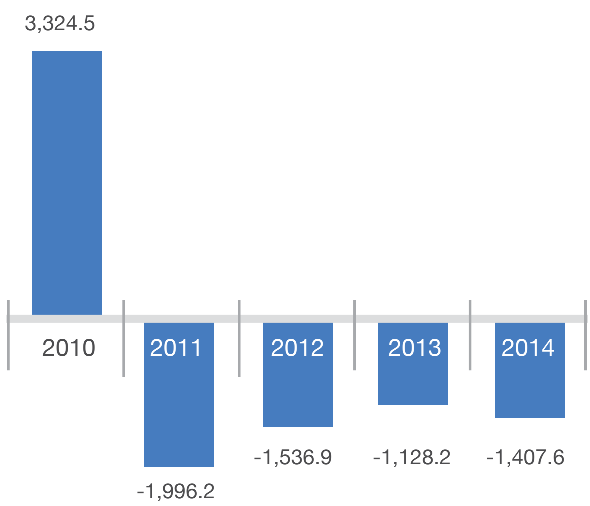
The value of domestic debt increased by an annual 9.7% to USD 40.96 billion in 2014 while foreign debt declined by an annual 2% to USD 25.61 billion. Interest payments on both domestic and foreign debt have increased more than the increase in the stock of debt while interest rates did not change. Therefore, the increase in interest payments may be due to the fact that banks are favoring long-term higher-yield debt instruments in the face of shrinking profit margins. Longer debt maturities are also serving the debt management strategy of the government that wants to lock interest rates for longer maturities before the expected increase in the Federal Reserve's rates and to reduce its refinancing risk in an unstable domestic political environment. The average maturity of Lebanon's Treasury-bills' portfolio was indeed extended from 1,048 days during July 2012 – June 2013 to 1,221 days in the period July 2013 – June 2014.

However, with a large fiscal deficit and a substantial debt burden, the government may not have the necessary resources to boost capital spending. That is why it is in the government's advantage to resort to structures such as privatization, public-private partnerships (PPP) and Build-Operate-Transfer (BOT) where the private sector tends to the problem of lack of public funds by financing a given project in exchange for a stake in the future profits.

External sector

Lebanon's Balance of Payments (BoP) displayed a USD 1.41 billion deficit compared to a smaller deficit of USD 1.13 billion in 2013, despite the improvement in the current account, BOP's largest constituent. Hence, the higher deficit is probably due to worsening capital and financial accounts and the unrecorded transactions. In fact, the first three quarters of 2014 show that the current account improved by USD 900 million while capital and financial accounts and the unrecorded transactions deteriorated by USD 1 billion. Given the end result of the year, it seems that this trend has been extrapolated into the final quarter of the year. Net foreign assets (NFAs) of commercial banks narrowed USD 5.22 billion during 2014, while that of the Central Bank (BDL) grew by USD 3.82 billion.

Balance of Payments (USD Million)



In details, Lebanon's trade (imports + exports) amounted to 47.68% of 2014's GDP and the trade deficit recorded USD 17.19 billion in 2014, compared to a higher deficit of USD 17.30 billion in 2013. The slight 0.64% narrowing of deficit was mainly the result of bearish oil prices. Trade deficit represented 36.18% of GDP, compared to a higher share of 38.33% in 2013. Exports covered 16.14% of imports in 2014, compared to 18.74% in the previous year.

Total imports declined 3.48% to USD 20.49 billion. The depreciation of the Euro against the US dollar was reflected through the appreciation of the Lebanese Pound that is pegged to the dollar and therefore improved the purchasing power of Lebanese consumers. This can be mirrored by the Nominal Effective Exchange Rate (NEER), which increased 14.61% during 2014 to 147.32 points. However, since this occurred during the second half of the year, it did not have a strong impact on Lebanese imports.

Looking at Lebanese exports, they declined by 15.95% to USD 3.31 billion, with a 24.17% drop in volume. The main decrease in exports came from mineral products and base metals, with respective plunges in volume of 70.27% and 30.91%. Mineral products witnessed an 87.89% tumble in value to USD 43.19 million, which was mainly due to the difficulties in transportation on the Lebanese-Syrian border, as Lebanon re-exports mineral products to Syria. Lebanese exports were not affected by the depreciation of the Euro, since most of Lebanon's exports destinations are in the Middle East, with their currencies mostly pegged to the US Dollar.

Monetary sector

To support economic growth and price stability, monetary policy has remained highly accommodative during 2014. The Central Bank kept the interest rates stable as witnessed by T-bills rates, maintained the exchange rate peg at its current level, pumped money into the system through subsidized loans and added to its sizable holdings of government securities.

The Lebanese pound yield curve remained stable throughout the year, while that of Eurobonds fluctuated however within a small range. The Central Bank managed to maintain interest rates at a level that is conducive to economic growth. Interest rates on T-bills didn't change during 2014 with the average yield on the 1-year T-bills at 5.35% while the average yield on the 5-year T-notes stayed at 6.75%. On the Eurobonds level, yields on 5-year and 10-year maturities had fallen by 36 basis points and 61 basis points respectively during the year.

As security and political situations had their toll on the economy since 2011, the Central Bank continued to adopt an accommodative stance of monetary policy in order to support progress toward price and exchange rate stability and economic growth. In this context, the Central Bank implemented an USD 800 million economic stimulus package in 2014, which targeted start-up companies and some other sectors of the economy including housing, tourism, and manufacturing. In addition, hoping that the knowledge sector would become one of the pillars of the Lebanese Economy, BDL initiated the "Knowledge Economy"- "an economy in which information is invested to create new and improved products and services with a high added value that constitutes a main component of the production process and generation of wealth".[1] The Central Bank encourages banks to invest in this sector's companies, by guaranteeing 75% of the risks born of such investments, and preserving 50% of the profits stemming from the guaranteed investment.

In light of the cumulative progress toward its monetary policy objectives and the outlook for further progress over coming years, the BDL planned another economic stimulus package for 2015 for an amount of USD 1 billion. The package encompasses low borrowing rates of 1% for housing and new projects, including renewable energy and environmental project and extended loan terms for small and medium-sized businesses.

In particular, the Central Bank has used large-scale bond purchases to ease financial conditions, more broadly so, as to promote the more rapid achievement of economic growth. BDL's holdings of T-bills and bonds increased 17% during 2014 going from USD 11.19 billion in 2013 to USD 13.07 billion.

1 BDL Governor, Riad Salameh

While stimulating the economy the BDL managed to preserve price stability in 2014. Average inflation rate remained at 1.86%, below but close to 2%. The decline in international energy prices and reduced telecommunications tariffs helped the central bank in maintaining a low inflation rate while adopting an accommodative monetary policy. “Transportation” sub-index and “Communication” sub-index dropped 3.06% and 13.73%, respectively.

Exchange rate stability was maintained throughout 2014. The BDL was successful in keeping the exchange rate moving within the narrow band it has fixed before of 1500-1515 Lebanese pounds per US dollar. However the exchange rate remained at the higher end of the band, mainly at 1510-1514 LL per USD, during most of the year, as regional shocks and negative domestic political and security events were always pushing investors towards dollar denominated deposits. Therefore the dollarization of deposits went up from 64.8% by end December 2013 to 65.7% at end November 2014.

The BDL also strengthened the regulatory framework in order to preserve the stability of the banking system and increase its resilience against shocks. The Central Bank issued, in 2014, new regulations (Intermediate Circular 369) concerning retail loans granted after the 1st of October, 2014. First, Intermediate Circular 369 states that a car or housing loan taken for the purchase of a car or the first house must not exceed 75% of the price i.e., the debtor should pay at least 25% of the good’s price as a down-payment. Moreover, BDL restricts the cumulative monthly payments for all retail loans to a maximum of 45% of the household’s monthly income, which is the husband and wife’s monthly earnings. For housing loans, the cumulative monthly payments must not exceed 35% of the household’s income.

As a result of the accommodative monetary policy, the balance sheet of the Central Bank has swollen further since the end of 2013. BDL’s total assets surged 11.28% yearly, to stand at USD 85.70 billion by the end of 2014. Similarly, its net foreign assets (excluding gold) inched up 7.28% during the same period to a high level of USD 37.86 billion, providing it with a comfortable liquidity leeway to protect the currency peg. For comparative purposes, total assets of commercial banks posted a 6.6% year-on-year increase to USD 175.70 billion in 2014. Also money supply registered a 5.81% year-on-year growth in 2014.

2014 Eurobonds Market in Perspective

Despite the overall flat outcome, Lebanon’s Eurobonds market finally took off and recovered in 2014 following 3 years of negative performance. The Lebanese safe assets have proven over the year to be highly correlated with the country’s political and security environment. The relationship binding Lebanon’s Eurobonds market to the local scene was much stronger than the impact of the international trend driven by the United States (US) Treasuries. Thus, the BLOM Bond Index (BBI) mirrored the local market’s performance and added a mere 0.41% year-on-year (y-o-y) compared to the respective 0.90%, 1.79% and 3.13% yearly losses recorded in 2011, 2012 and 2013.

Eurobonds market witnessed in 2014 a relatively prosperous first half, while the worsening political and security developments that painted the second half of the year triggered down investors' appeal for the Lebanese bonds market. This explains the BBI's yearly increase of 1.56% after hovering between a lower band of 105 points and a higher band of 109 points to end the year near the middle band at 107.29 points. Summing up 2014, rising demand characterized the Lebanese market during January-June 2014, leading the weighted average yield on holding the Eurobonds to tumble by 40 bps from December 2013 to 5.22%. However, the latter managed to add 7 bps in the next six months of 2014 to reach 5.29%. As for the 5Y and 10Y Lebanese Eurobonds' yields, they tumbled by 30 bps and 39 bps to 5.34% and 6.26%, respectively.

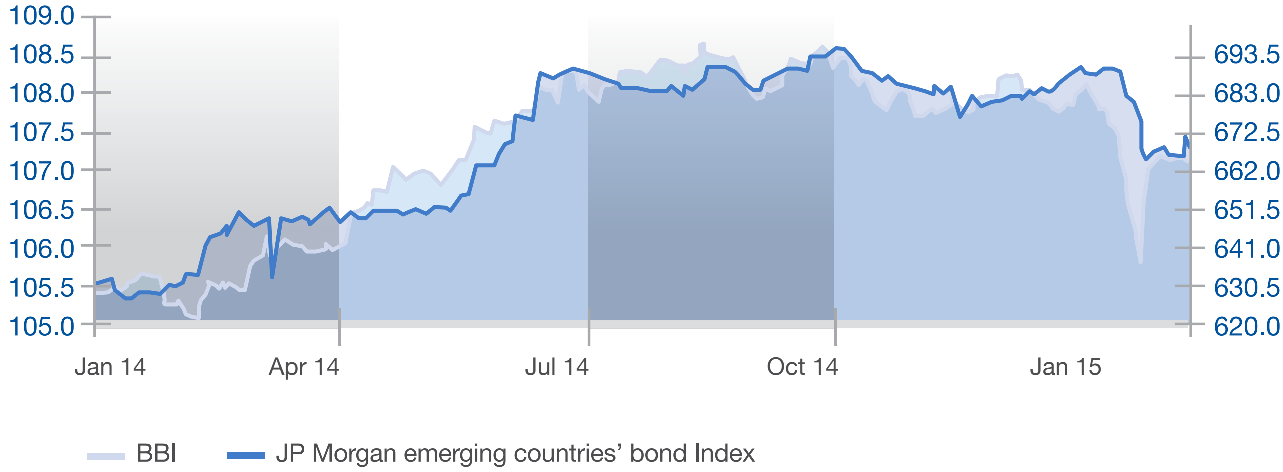
The performance of the medium and long term Lebanese Eurobonds reflected investors' demand that altered between H1 2014 and H2 2014. Each of the 5Y bond and the 10Y bond saw their yields respectively declining by 57 bps and 44 bps to 5.07% and 6.21% by the end of the first half on improving investors' sentiment. In contrast, H2 that was overshadowed by political and security instabilities pushed the 5Y and 10Y yields up. In details, the former jumped 27 bps to 5.34% by the end of December 2014, while the latter added 6 bps to 6.26%.

In this context, Lebanese medium-term bonds fared relatively better than their US counterparts. This was revealed by the shrinking spread between the two notes maturing in 5 years. A comparison shows that the spread between the Lebanese 5Y bond yield and its US comparable narrowed from 389 bps to 345 bps by June 2014. However, 10Y US Treasuries slightly outperformed their Lebanese comparable as revealed by the spread between the 2 securities, which broadened by 7 bps to 368 bps.

In H2 of 2014, the worsening situation of Lebanon and the robust progress of US bonds market widened spreads between the mentioned markets. Correspondingly, the 5Y and 10Y spreads between the Lebanese bond yields and their US comparable widened by respective 24 bps and 41 bps to settle at 371 bps and 409 bps by the end of 2014.

The 5Y Lebanese Credit Default Swaps (CDS) which reflect the perceived default risk of the government, steadied at 394 bps by the end of December 2014 compared to the previous year. Specifically, the 5Y Lebanese CDS witnessed a 48 bps tightening in the first half of 2014 but reverted back by the end of 2014 to its original level.

BBI and JP Morgan Emerging Markets Bond Index Year-to-Date Performance



Source: Bloomberg, BLOMINVEST Department

On another note, a debt exchange offer took place by the end of March helping the Lebanese debt market maintain its positive performance. The exchange offer was completed on notes maturing in April 2014 against new longer-dated ones. In details, the Lebanese government's offer and additional notes gathered a participation rate of 79.84%, and resulted in aggregate new issues of USD 1.4 billion maturity of 2020 and 2026. The new 2020 issues amounting to USD 600 million yielded 5.8% with an issue price of 100. As for the USD 800 million tap on 2026 maturities, bonds' prices were quoted at 99.147 yielding 6.7%. The new cash from the 2020 maturities stood at USD 341.43 million while that from 2026 maturities stood at USD 354.71 million. The reported allocations were 88.5% on 2020 & 66% on 2026 for local investors, while international orders were around 25% on both tranches.

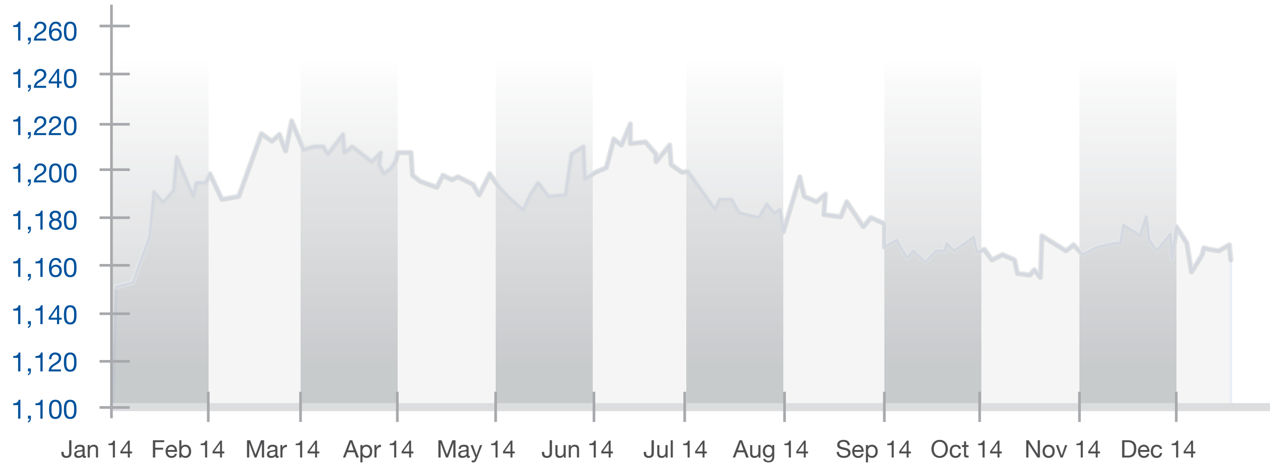
The Stock Market

The BLOM Stock Index (BSI) ended the year 2014 at 1,170.26 points, constituting a timid 1.75% yearly upturn. The first half of 2014 (H1 2014) was a positive one for the BSI as it registered a solid 6.24% gain. The main boost came from the first two months of 2014 where the anticipation and the eventual formation of a cabinet set a positive tone on the Beirut Stock Exchange and led to the BSI gaining a monthly 5.06% in January and 2.10% in February.

The negative series of events that followed weakened the BSI but were not enough to reverse the positive performance over the entire first six months of the year. For the rest of H1 2014 the BSI either slid in the red or barely inched up as clashes in Tripoli, the new rent-law controversy, the pay scale issue for public sector employees and the end of President Michel Sleiman's term with no successor in-sight, dampened market optimism.

Most of the gains recorded in H1 2014 were erased in H2, where the BSI posted a 4% loss. Indeed, the Beirut Stock Exchange suffered from the precarious political, security and economic backdrops.

Performance of the BLOM Stock Index in 2014



Source: Blominvest Research Department

By the end of 2014, 29 stocks were listed on the Beirut Stock Exchange as compared to 28 stocks the past year. The market capitalization rose by a yearly 6.25% to end the year at USD 9.78 billion. In 2014, the number of outstanding shares amounted to 1,552,168,084.

In the first half of 2014, 200,000 BEMO Bank preferred shares class 2006 were de-listed, 350,000 Bank BEMO preferred shares 2013 were listed and 476,260 additional Audi GDR shares were listed.

As of September 30, 2014 /50,000,000/ additional common shares were issued by Bank Audi SAL. As of October 16th, /4,762,000/ Bank of Beirut Priority Shares Class 2014 were listed on the stock market. The Beirut Stock Exchange decided to list, as of December 1, 2014, an additional /13,021,942/ GDRs linked to the shares of Bank Audi SAL. These GDRs will be added to the previously listed /102,493,911/ GDRs, therefore, the total number of listed GDRs linked to the shares of Bank Audi SAL becomes /115,515,853/.

The top three performing shares were BLOM GDR, gaining 11.36% to USD 9.80, BLOM Listed shares, rising by 6.67% to USD 8.80 and Ciments Blanc Bearer shares with an upturn of 7.14% to USD 3.75. As for the worst performers, they were Ciments Blanc Nominal with a loss of 15.12% to USD 2.75, BLC listed shares which shed 12.82% to USD 1.70 and Rymco's listed shares which declined by 7.71% to USD 3.23.

2. Overview

In 2014, BLOM BANK witnessed another successful year marked by a solid financial position, a diversification of products and services, and a wider regional presence.

BLOM BANK's strong position as the leading banking group in Lebanon was reflected by maintaining its status as the most awarded bank for awards received in 2014 and 2015:

Euromoney
- Best Bank in Lebanon for 2014

The Banker
- Best Bank in Lebanon for 2014

Global Finance
- Best Foreign Exchange Bank Providers in Lebanon for 2015
- Best Consumer Internet Bank in Lebanon for 2014
- Best Islamic Financial Institution Lebanon for 2015 (BLOM Development BANK)

Banker Middle East
- Best Retail Bank in Lebanon for 2015
- Best Branding - Levant for 2015

EMEA Finance
- Best Bank in Lebanon for 2014
- Best Asset Manager in Lebanon for 2014 (BLOMINVEST BANK)

GTR magazine
- Best Trade Finance Bank in Lebanon for 2015

MENA Fund Manager
- Best Levant Asset Manager for 2015 (BLOMINVEST BANK)

Global Investor / ISF Euromoney
- Best Asset Manager for 2014 (BLOMINVEST BANK)

BLOM BANK also continued to maintain the highest financial ratings in Lebanon. As such, the Bank has been repeatedly rated by Capital Intelligence, a Middle East-specialized rating agency, "B", which is the highest financial strength rating in Lebanon. Moreover, Moody's maintained its foreign currency rating of "B2", and S&P credit rating of "B-".

In 2014, as one of the largest and most profitable banks in the country, BLOM BANK's net profit reached USD 364.78 million even after accounting for provisions amounting to USD 41.27 million, while total assets attained USD 27,975 million and total customers' deposits attained USD 24,006 million by the end of 2014.

In terms of strategy, BLOM BANK continued to build on its geographic expansion and business services diversification. Foreign expansion not only spreads the risk of operating in Lebanon, but also diversifies the income base by taking advantage of the economic and business opportunities present in regional economies. In 2014, BLOM BANK expanded into Iraq, raising the number of countries in which it is present to 13: Lebanon, Syria, Egypt, Jordan, Qatar, UAE, Iraq, France, Switzerland, England, Cyprus, Kingdom of Saudi Arabia and Romania. In addition, the Bank has developed further its branch network by opening two new branches in Jordan (Tareq & Khalda branches), and launched three new branches in Lebanon, namely in Ashrafieh, Dbayeh and Saida-Islamic Banking, and established two new branches in Iraq located in Baghdad and Erbil and four new branches in Egypt.

The other component of the strategy is to diversify business activities towards a universal banking model. As a result, the Bank has expanded the operations of its investment arm, BLOMINVEST BANK, by enhancing its private and investment banking and capital market activities, in addition to asset and wealth management services. The latter aims at establishing funds and investment vehicles for retail and high net-worth investors that are diversified in their asset composition and geography. BLOMINVEST BANK along with BLOMINVEST KSA have successfully managed and launched a total of 9 funds and 1 certificate amounting to USD 600.75 million in 2014. The aim of the new products is the diversification in the sources of income that gives increasing share to non-interest income.

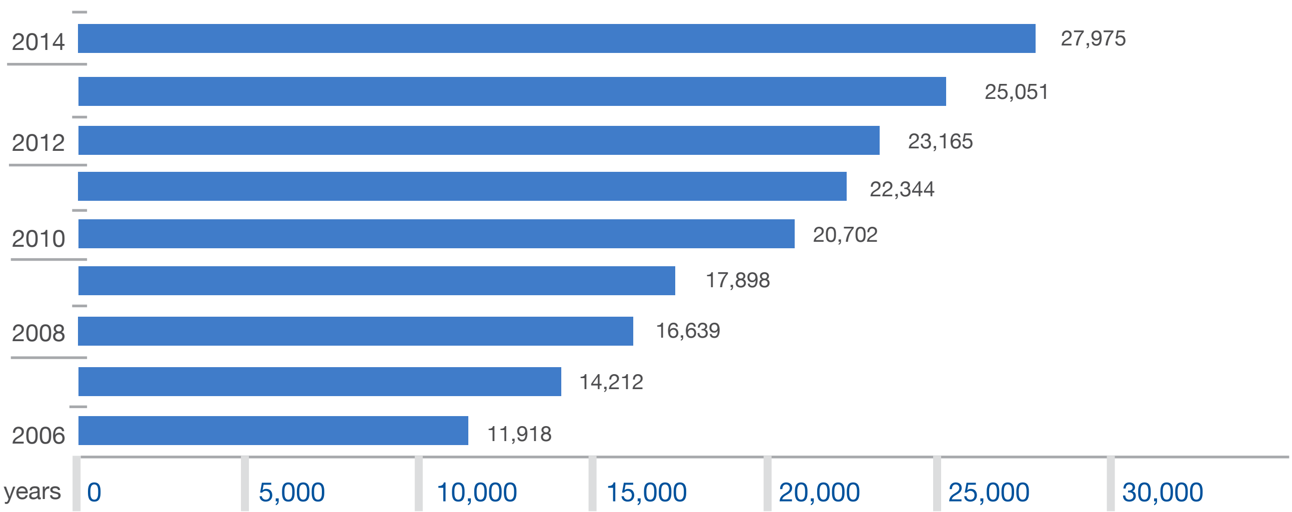
To conclude, BLOM BANK will continue to pursue its growth strategy in the coming years by capitalizing on its existing resources and capabilities.

3. Evolution of Total Assets

BLOM BANK maintained a healthy balance sheet growth where the Bank's assets jumped by 6.98% during 2014 to reach USD 28.0 billion, as compared to a 6.60% growth in the consolidated financial position of Lebanese commercial banks.
This resulted from the bank's expansionary policy and the perceived confidence of expatriates in BLOM BANK Group as a trustworthy source of placing their deposits.

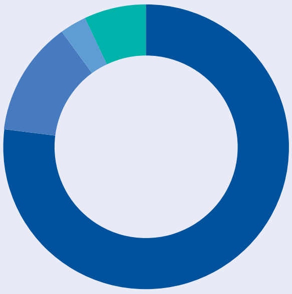
On the other hand, the share of assets denominated in foreign currencies stood at 69.43% as compared to 70.08% a year earlier.

Evolution of Total Assets (in USD Million)



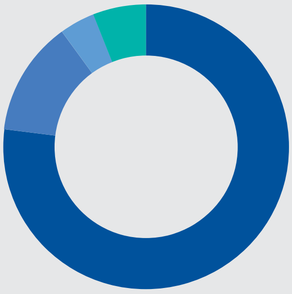
Total Assets by Region

2014



	%
Lebanon	77.3
MENA	12.8
Gulf	3.4
Europe	6.5

2013



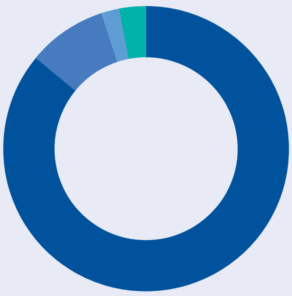
	%
Lebanon	77.6
MENA	12.0
Gulf	3.8
Europe	6.6

MENA includes Egypt, Syria, Jordan and Iraq. Gulf includes UAE, Qatar and KSA. Europe includes France, United Kingdom, Romania, Switzerland and Cyprus.

In terms of geographical allocation, BLOM BANK's overseas operations constitute 22.7% of consolidated assets with BLOM BANK Egypt compromising the largest international market share of the bank.

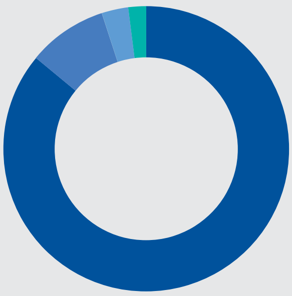
4. Sources of Funds

2014



	%
Customers' Deposits	85.8
Total Capital Funds	9.0
Banks & Financial Institutions	2.4
Other Liabilities	2.8

2013



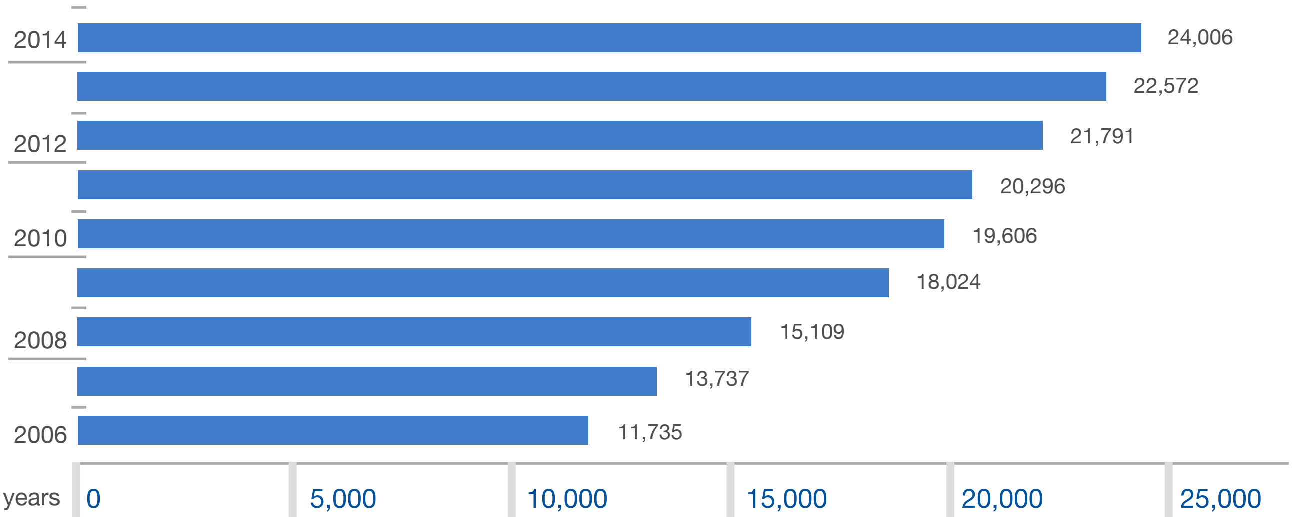
	%
Customers' Deposits	86.3
Total Capital Funds	9.0
Banks & Financial Institutions	2.4
Other Liabilities	2.3

BLOM BANK's main sources of funding include customers' deposits and total capital funds (Tier I & Tier II). Customers' deposits funded 85.8% of the Bank's total assets in 2014. Total capital funds constituted 9.0% of total funds in 2014, while the share of banks and financial institutions accounted for 2.4% in 2014 and other liabilities comprised 2.8%.

4.1 Customers' Deposits

The existing confidence of depositors who opted for a safe and trustworthy haven for their funds positively impacted BLOM BANK's deposits in 2014. This was translated by a 6.35% surge in total customer's deposits from USD 22,572 million in 2013 to USD 24,006 million in 2014. Total deposits went up by USD 1,434 million, given the expansion of deposits denominated in foreign currencies by USD 1,039 million and in domestic currency by USD 395 million.

Customers' Deposits (in USD Million)

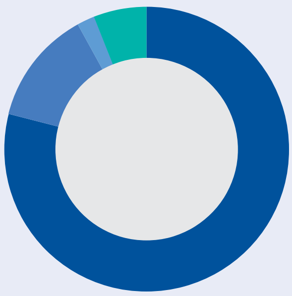


Total Deposits by Region

A concentration analysis of consolidated deposits by region reveals that Lebanon maintained the lead share with 79.3%, whereas regional and European countries' share rose to 20.7% with BLOM BANK Egypt attaining more than 25% year-over-year growth.

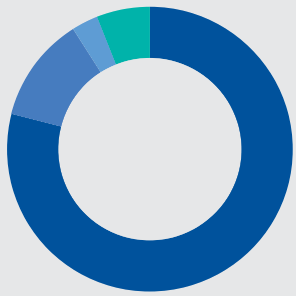
With regards to foreign currencies' share of total deposits, they inched up by 0.5% in 2014 to settle at 71.60%. Over the same period, the dollarization-rate accounted for 51.01% of total deposits.

2014



	%
Lebanon	79.3
MENA	12.7
Gulf	2.4
Europe	5.6

2013

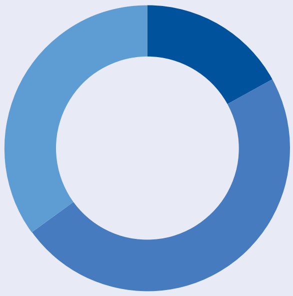


	%
Lebanon	79.9
MENA	11.8
Gulf	2.7
Europe	5.6

In addition, BLOM BANK's market share in terms of customers' deposits within the Alpha Group (banks with deposits over USD 2 billion) amounted to 14.91% in 2014.

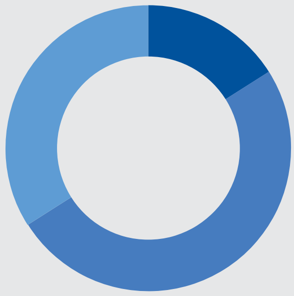
Total Deposits by Type of Client

2014



	%
Corporate	17.0
Individuals	47.7
High Net Worth individuals	35.3

2013



	%
Corporate	15.9
Individuals	50.1
High Net Worth individuals	34.0

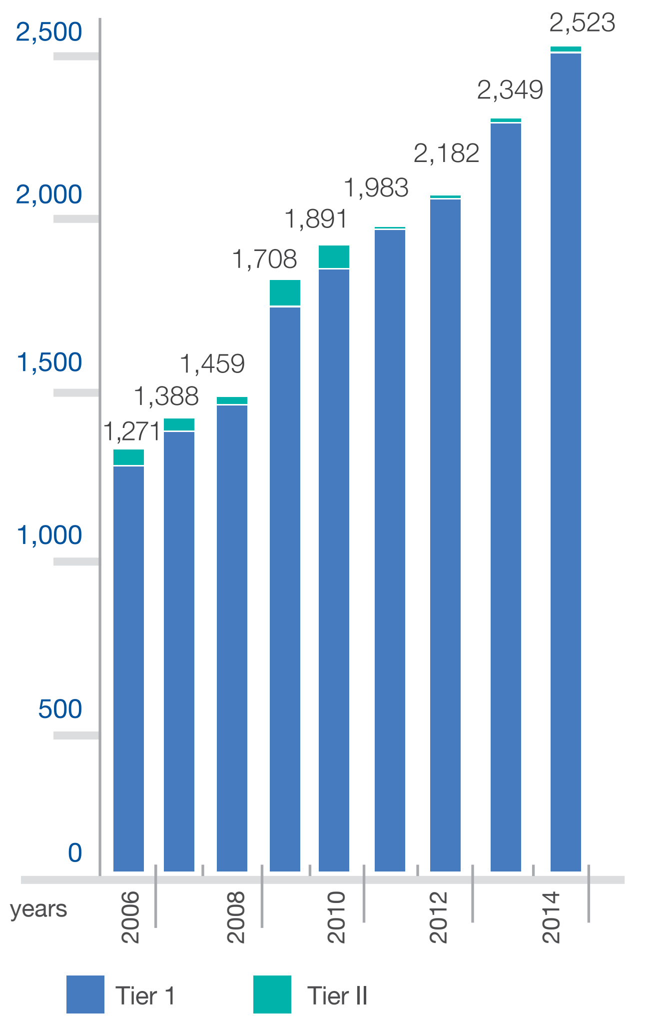
A concentration analysis of consolidated deposits by type of client reveals that "Individual customers' deposits" accounted for 83.0% as compared to 84.1% in 2013 and "Corporate deposits" accounted for 17.0% as compared to 15.9% in 2013.

4.2 Capitalization (Tier I & Tier II Capital)

Total capital funds increased by 7.41% year-on-year to USD 2,523 million at the end of 2014, keeping its contribution of total funds at 9.00% in 2014.

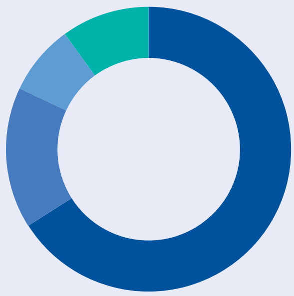
In line with the Bank's strategy of growing organically at a steady pace, the increase in capital was mainly attributed to retained profits of the year 2013 amounting to USD 226.9 million after dividend distribution.

Tier I & Tier II Capital (in USD Million)



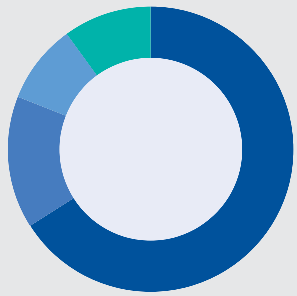
Total Capital Funds by Region

2014



	%
Lebanon	65.9
MENA	15.5
Gulf	9.1
Europe	9.5

2013



	%
Lebanon	66.2
MENA	14.4
Gulf	8.5
Europe	10.9

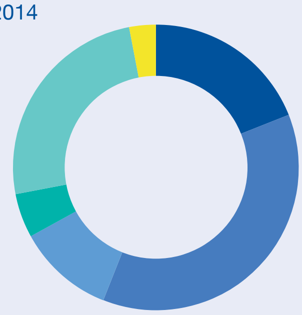
A concentration analysis of total capital funds by geography shows that Lebanon accounted for 65.9% at the end of 2014 (66.2% in 2013) and the remaining 34.1% were spread among countries in MENA, Gulf and Europe.

5. Uses of Funds

BLOM BANK's strategy stresses on maintaining a high asset quality and a strong portfolio of investments. The risk component, which has always been the Bank's primary consideration while assessing the uses of funds, is reflected in the return on assets ratio that has always been at the forefront of Lebanese banks; where BLOM BANK maintained the number 1 rank for the past four years among the Alpha Lebanese Banks (banks with deposits over USD 2 billion). The 2014 return on assets ratio stood at 1.35%.

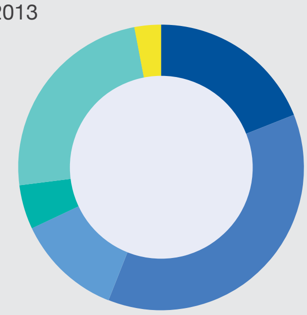
Within the overall use of funds, the share of Lebanese Treasury Bills as well as other governmental debt securities to total assets increased to 19.6% in 2014, up from 19.3% in 2013. Whereas the share of cash and deposits at the Central Bank to total assets dropped to 36.8% in 2014 from 37.1% in 2013. The Bank's placements with other banks and financial institutions decreased to 11.1% of total assets in 2014 compared to 11.5% in 2013. On the other hand, the share of bonds and financial instruments with fixed income inched down to 4.7% in 2014, from 5.0% in 2013.

2014



	%
Lebanese Treasury Bills and other governmental bonds	19.6
Cash and Central banks	36.8
Banks & Financial Institutions	11.1
Bonds and Financial Instruments with fixed Income	4.7
Loans to Customers	24.7
Others	3.1

2013



	%
Lebanese Treasury Bills and other governmental bonds	19.3
Cash and Central banks	37.1
Banks & Financial Institutions	11.5
Bonds and Financial Instruments with fixed Income	5.0
Loans to Customers	24.3
Others	2.8

Loans granted to customers constituted 24.7% of total assets in 2014 as compared to 24.3% in 2013.

5.1 Investment Securities Portfolio

BLOM BANK's investment securities portfolio is predominantly made up of governmental debt securities (48% of total portfolio), central banks' securities (18% of total portfolio), corporate debt securities, funds and equity instruments.

The currency composition of the Lebanese governmental debt securities for the year 2014 were 64.6% in LL and 35.4% in FC as compared to 59.2% in LL and 40.8% in FC for the year 2013. As for the Central Bank of Lebanon certificates of deposits, they were all denominated in LL as compared to 47.7% in LL and 52.3% in FC for the year 2013.

	2014			
USD Million	Amortized Cost	Fair Value through Profit or Loss	Fair Value through Other Comprehensive Income	Total
Central Bank of Lebanon Certificates of Deposits	1,566	-	-	1,566
Lebanese Governmental Debt Securities	4,089	17	-	4,106
Other Governmental Debt Securities	1,303	60	-	1,363
Corporate Debt Securities	700	290	-	990
Corporate Certificates of Deposits	326	-	-	326
Funds	-	57	3	60
Equity Securities	-	102	2	104
	7,984	**526**	**5**	**8,515**

	2013			
USD Million	Amortized Cost	Fair Value through Profit or Loss	Fair Value through Other Comprehensive Income	Total
Central Bank of Lebanon Certificates of Deposits	3,171	-	-	3,171
Lebanese Governmental Debt Securities	3,949	19	-	3,968
Other Governmental Debt Securities	1,012	55	-	1,067
Corporate Debt Securities	622	411	-	1,033
Corporate Certificates of Deposits	276	-	-	276
Funds	-	47	2	49
Equity Securities	-	95	2	97
	9,030	**627**	**4**	**9,661**

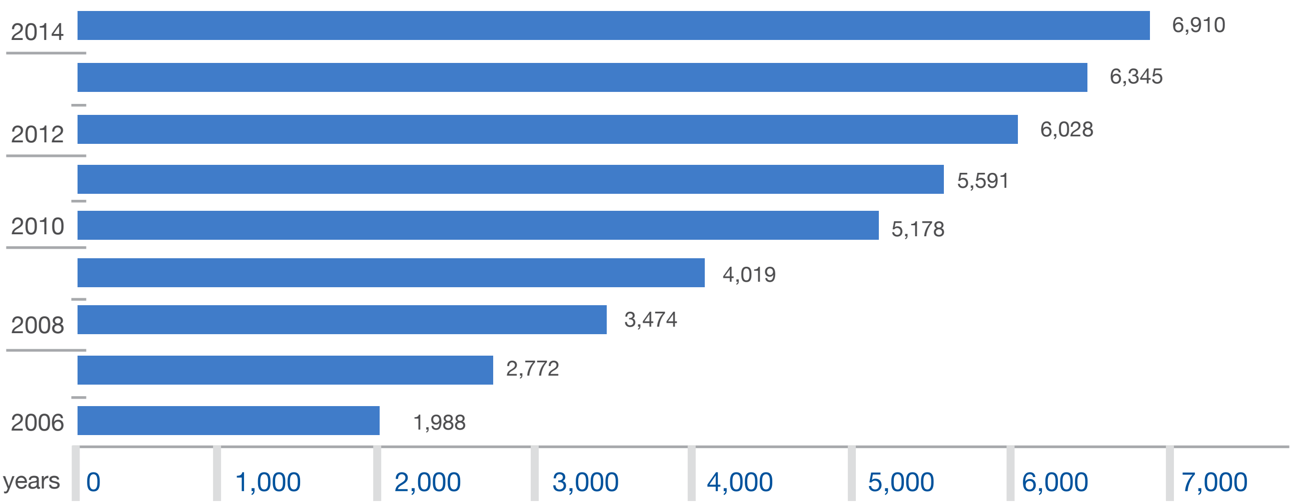
5.2 Loans and Advances to Customers

Following BLOM BANK's adoption of a conservative loan strategy in order to maintain a high asset quality, the ratio of net loans and advances to total deposits has been successfully maintained at relatively low levels and continued to increase in the past three years from 27.66% in 2012 to 28.11% in 2013 to 28.78% in 2014.

Driven by the Bank's strategy to expand its loan book and the Central Bank stimulus packages of 2013 and 2014 which include incentives to support housing, renewable energy projects, innovative projects, SME's and other productive sectors of the economy, lending growth was more vigorous at 8.9% reaching USD 6,910 million in 2014 as compared to a growth of 5.26% in 2013.

BLOM BANK's market share in terms of total loans and advances within the Alpha Group (banks with deposits over USD 2 billion) reached 11.44% in 2014 as compared to 11.74% in 2013.

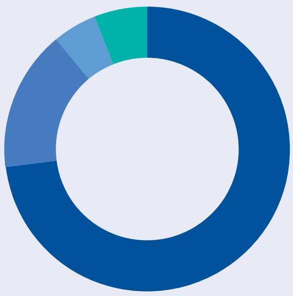
Evolution of Loans and Advances (in USD Million)



Net Loans by Region

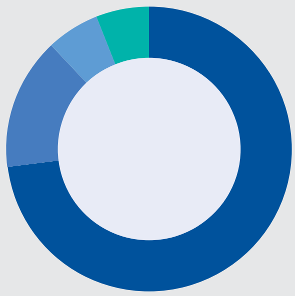
A concentration analysis of the loan portfolio by region reveals that Lebanon maintained the lead share with 73.1% at the end of 2014 (72.8% in 2013), while the remaining loan portfolio was spread among the group entities mainly in the MENA region which accounted for 15.4% at the end of 2014 up from 15.0% in 2013. Gulf region accounted for 5.5% (6.1% in 2013) and Europe held 6.0% of the loan portfolio.

2014



	%
Lebanon	73.1
MENA	15.4
Gulf	5.5
Europe	6.0

2013



	%
Lebanon	72.8
MENA	15.0
Gulf	6.1
Europe	6.1

BLOM BANK's commercial loan portfolio accounted for 61.0% from the total loan portfolio at the end of 2014 (62.0% in 2013) and the retail portfolio accounted for 39.0% at the end of 2014 (38.0% in 2013).

The increase in the retail portfolio during 2014 by USD 276 million was mainly driven by the increase in housing loans.

BLOM BANK during 2014 continued to benefit from the Central Bank of Lebanon incentives to stimulate lending and economic growth by:

- easing of reserve requirements of banks
- offering commercial banks facilities up to a ceiling of LL 5,100 billion to be granted to customers and with a time limit ending on 15 November 2015. These facilities are subject to an interest rate of 1% per annum payable on a monthly basis with the first payment due on 2 January 2014.

Net Loans by Type

	2014		2013	
	USD Million	% of Total	USD Million	% of Total
Commercial Loans	**4,203**	**60.8%**	**3,915**	**61.7%**
Corporate Loans	2,826	40.8%	2,603	41.0%
Syndicated Loans	64	0.9%	86	1.4%
Margin Lending	121	1.8%	94	1.5%
SMEs	1,192	17.3%	1,132	17.8%
Retail Loans	**2,685**	**38.9%**	**2,411**	**38.0%**
Car Loans	613	8.9%	611	9.6%
Credit Cards	132	1.9%	114	1.8%
Housing Loans	1,583	22.9%	1,368	21.6%
Personal Loans	357	5.2%	318	5.0%
Loans to Related Parties	**22**	**0.3%**	**19**	**0.3%**
Commercial	17	0.2%	16	0.3%
Retail	5	0.1%	3	0.0%
Total Net Loans	**6,910**	**100%**	**6,345**	**100%**

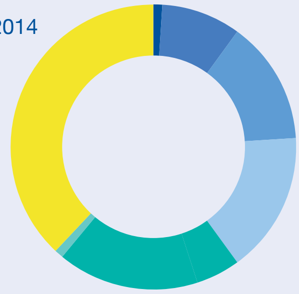
Provisions and unrealized interest for impaired loans including collective Gross doubtful loans to gross total loans decreased to 4.44% compared to 4.89% in 2013, the decrease was mainly due to the transfer of doubtful loans to Off-Financial Position.

On the other hand, the coverage ratio of doubtful loans by monetary provisions (excluding collective provisions) reached 63.66% in 2014, however it reached 134.53% when accounting for real guarantees.

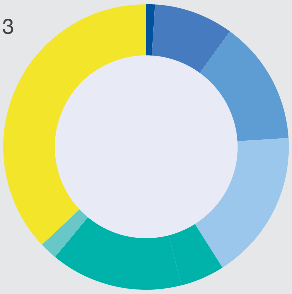
The ratio of foreign currency loans with respect to total loans in 2014 decreased from 80.52% to 79.59% and the ratio of foreign currency loans to foreign currency deposits slightly increased to 31.99% in 2014, from 31.64% in 2013.

The breakdown of the loan portfolio by maturities shows that medium and long term loans with maturities exceeding one year constituted 23.8% of the bank's outstanding net loans in 2014 as compared to 29.3% in 2013, whereas short term loans, with maturities of less than one year, constituted 76.2% of the total net loans, as compared to 70.7% in 2013.

Gross Loans by Economic Sector



2014	%
Agriculture and Forestry	0.7
Manufacturing	9.1
Trade	14.3
Services	15.8
Construction (Developers)	5.2
Construction (Project Financing)	15.8
Freelance Professions	1.0
Consumer Loans	38.1



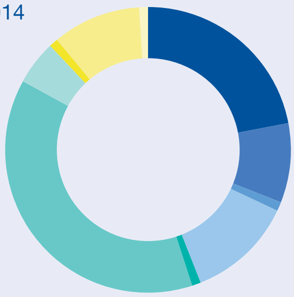
2013	%
Agriculture and Forestry	0.8
Manufacturing	8.7
Trade	14.4
Services	17.2
Construction (Developers)	5.0
Construction (Project Financing)	15.2
Freelance Professions	1.8
Consumer Loans	36.9

BLOM BANK seeks diversification in its loan portfolio through lending to different economic sectors.

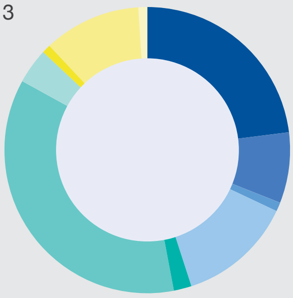
The highest economic sector share is consumer activities (38.1%), followed by Construction (21.0%), Services (15.8%), Trade (14.3%) Manufacturing (9.1%) and Agriclture (0.7%).

BLOM BANK loan portfolio remains highly collaterized, where secured lending against mortgages and cash collateral represents 63% of total lending at the end of 2014. The analysis of the gross loan portfolio by type of collateral reveals that retail loans accounted for the largest share of the 2014 portfolio, rising from 36.87% in 2013 to 38.09% in 2014, while noting that 72% of the retail loans are against mortgages. Advances against cash collateral comprised 13.28% in 2014 as compared to 13.45% in 2013.

Gross Loans by Type of Collateral



2014	%
Commercial Loans Secured by Mortgages	22.3
Advances Against Personal Guarantees	8.9
LC Financing	0.7
Advances Against Cash Collateral	13.3
Syndicated Loans	1.1
Retail Loans	38.1
Advances against securities	4.6
Advances against Bank guaratntees	0.5
Overdraft	10.3
Other	0.2



2013	%
Commercial Loans Secured by Mortgages	23.2
Advances Against Personal Guarantees	8.0
LC Financing	0.6
Advances Against Cash Collateral	13.4
Syndicated Loans	1.3
Retail Loans	36.9
Advances against securities	4.0
Advances against Bank guaratntees	0.4
Overdraft	11.5
Other	0.7

In the year 2014, secured loans accounted for 90% of the total loan portfolio, whereas overdraft loans accounted for 10% compared to 11.5% in 2013.

6. Liquidity

BLOM BANK's ability to maintain high liquidity levels, minimize risks and ensure high quality of assets has been at the center of liquidity management and core objectives of the Group. The Bank has successfully maintained ample liquidity in 2014, where overall liquidity stood at 57.56% compared to 59.53% in 2013. As such, the Lebanese Pound liquidity ratio (including Lebanese governmental Treasury Bills) was 99.0% in 2014 as compared to 97.29% in 2013, reflecting high liquidity levels. Moreover, the immediate liquidity (cash & banks) in foreign currencies accounted for 52.80% of foreign currency deposits in 2014, as compared to 52.77% in 2013.
The liquidity position is assessed and managed under a variety of scenarios, giving consideration to stress factors relating to both the market in general and specifically to the Group.

BLOM BANK has arranged diversified lending sources in addition to its core deposits base, and adopted a policy of managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis.

Net Liquid assets (that mature within one month) to total customers' deposits ratio at BLOM BANK stood at 16.19% at the end of 2014 as compared to 16.04% in 2013. Net liquid assets (that mature within one month) consist of cash, short-term deposits and liquid debt securities available for immediate sale less deposits for banks and financial institutions maturing within next month.
Maturity mismatch between assets and liabilities, which characterizes the Lebanese banking sector, was also noticeable in BLOM BANK accounts. In 2014, the gap was negative in the maturities from zero to three months, amounting to USD 13,924 million. After three months, the maturity gaps turn positive, reaching USD 7,697 million for maturities of greater than five years.

7. Profitability

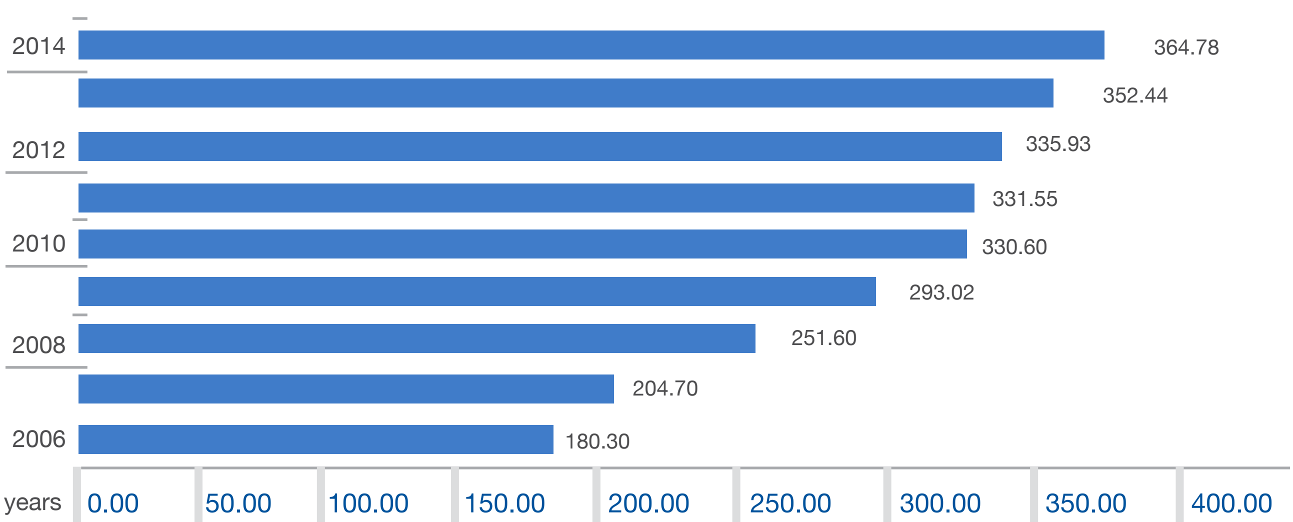
BLOM BANK was the most profitable and the best performing bank in Lebanon for the year 2014 given its high quality core income, above average margins and high performance ratios. The bank recorded net profits of USD 364.78 million, increasing by 3.50% compared to the year 2013 where net profits stood at USD 352.44 million. BLOM BANK's Lebanese operations still constitute the lion's share with 78.54% of total net income.

BLOM BANK's profits contributed to a considerable portion of the total banking sector profits as it accounted for a share of 19.49% in the consolidated net profit of the Alpha Group (banks with deposits over USD 2 billion).

BLOM BANK's performance was also reflected in attaining the highest profitability ratios. Return-on-average common equity stood at 15.77% in 2014, as compared to 16.70% a year earlier. Return-on-average assets for the year 2014 reached 1.35%.

On the other hand, earnings per share increased to USD 1.60 in 2014 from USD 1.58 in 2013.

Evolution of Net Income (in USD Million)



7.1 Net Interest Income

Net interest income registered a 6.38% increase in 2014 to USD 576.3 million (including USD 11.5 million net interest income from financial assets and liabilities designated at fair value through profit or loss). The growth came as a result of a 7.20% increase in interest and similar income to USD 1,447.8 million in 2014, while interest charges reached USD 871.4 million for 2014 as compared to USD 808.8 million for 2013.

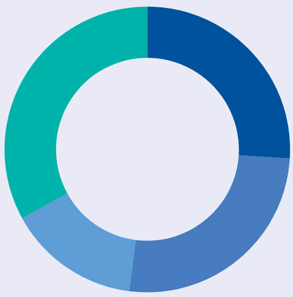
7.1.1 Interest and Similar Income

The 7.20% increase in interest and similar income is attributed to the diversification of interest income generating instruments where the bank opted to make better use of resources by transferring into relatively safer and better yielding placements with the Central Bank of Lebanon, fixed income securities and by extending loans.

The breakdown of interest and similar income reveals an increase in the share of governmental debt securities to 26.37% in 2014 compared to 25.04% in 2013. In addition, the portion of income generated from deposits with banks and central banks has increased to 25.58% from 20.02%. As a result, the contribution of bonds and other financial instruments with fixed income (including Central Bank of Lebanon certificates of deposit) decreased to 15.18% in 2014, as compared to 23.15% a year earlier.

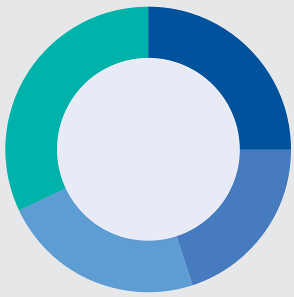
Interest income generated from loans and advances including related parties increased to 32.87% of the total in 2014 as compared to 31.79% in 2013.

2014



	%
Lebanese TB's and other Governmental Bills*	26.3
Deposits with Banks and Central Banks	25.6
Bonds & Other Financial Instruments with Fixed Income including CD's*	15.2
Loans and Advances (including related parties)	32.9

2013



	%
Lebanese TB's and other Governmental Bills*	25.0
Deposits with Banks and Central Banks	20.0
Bonds & Other Financial Instruments with Fixed Income including CD's*	23.2
Loans and Advances (including related parties)	31.8

** Including net interest income from financial assets and liabilities designated at FVTPL.*

SECURITY

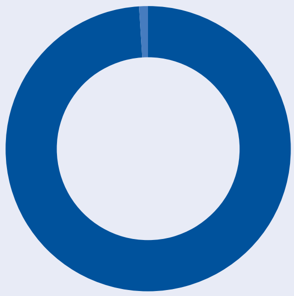
185,332 SQM

" Nothing beats the joy of securing a safe environment to the children and families of our country. The feeling of security is the greatest reward."

With your help, we contributed to demining 185,332 sqm of our homeland.

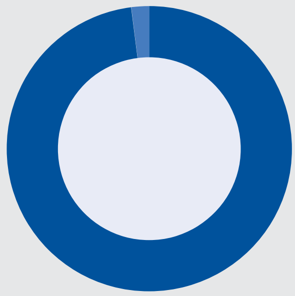
7.1.2 Interest and Similar Charges

2014



	%
Deposits from Customers including Related Parties	98.9
Deposits and similar Accounts from Banks and Financial Institutions	1.1

2013



	%
Deposits from Customers including Related Parties	98.8
Deposits and similar Accounts from Banks and Financial Institutions	1.2

Interest and similar charges increased by 7.8% to USD 871.4 million in 2014 as compared to USD 808.8 million in 2013.

7.1.3 Average Balance Sheet and Interest Rates

An analysis of average interest earning assets shows that governmental debt securities accounted for 21.54% of total average interest earning assets in 2014 increasing from 20.09% in 2013. The average deposits with banks and central banks increased to 35.88% in 2014 as compared to 33.50% in 2013. The share of bonds and other financial instruments with fixed income, including Central Bank of Lebanon certificates of deposit, accounted for 14.32% compared to 20.26% a year earlier and the average loans and advances increased to 28.26% in 2014, compared to 26.15% in 2013.

On the other hand, an analysis of average interest bearing liabilities reveals that average interest bearing liabilities went up by 5.62% to USD 23,231 million compared to USD 21,994 million a year earlier.

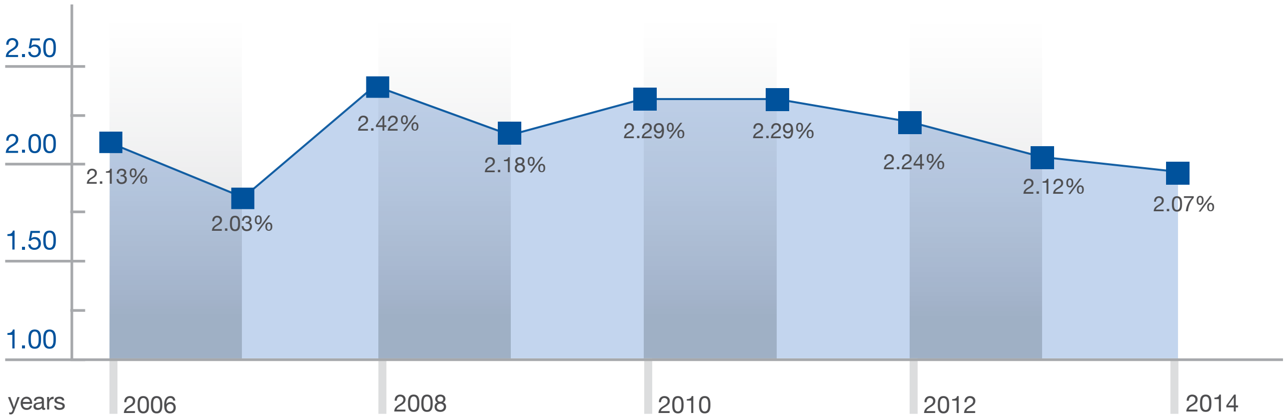
Deposits from customers including related parties accounted for the largest share of the average interest bearing liabilities, which stood at 98.28% in 2014 while deposits from banks and financial institutions represented the remaining 1.72%.

	2014			2013		
USD Million	Average Balance	Interest Earned - (Paid)	Average Rate	Average Balance	Interest Earned - (Paid)	Average Rate
Governmental Debt Securities	5,154	381.8	7.41%	4,635	338.2	7.30%
Interest Earning Placements with Banks and Financial Institutions (Including Central Banks Placements)	8,587	370.4	4.31%	7,728	270.4	3.50%
Bonds and other Financial Assets with Fixed Income (Including Central Bank of Lebanon Certificates of Deposits)	3,427	219.8	6.41%	4,673	312.6	6.69%
Loans and Advances to Customers	6,764	475.8	7.03%	6,032	429.3	7.12%
Total Average Interest Earning Assets	**23,932**	**1,447.8***	**6.05%**	**23,068**	**1,350.5****	**5.85%**
Customers Deposits	22,831	(861.5)	3.77%	21,632	(798.8)	3.69%
Interest Bearing Deposits with Banks and Financial Institutions	400	(9.9)	2.48%	362	(10.0)	2.76%
Total Average Interest Bearing Liabilities	**23,231**	**(871.4)**	**3.75%**	**21,994**	**(808.8)**	**3.68%**
Interest Spread			**2.30%**			**2.18%**
Net Interest Margin			**2.07%**			**2.12%**

**Including USD 11.47 million net interest income from financial assets and liabilities at FVTPL*

*** Including USD 13.49 million net interest income from financial assets and liabilities at FVTPL*

Net Interest Margin



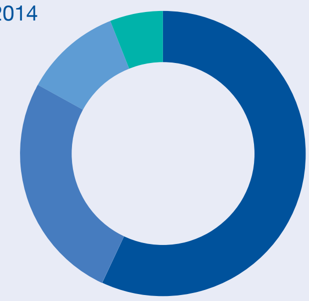
The slight decrease in the net interest margins for year 2014 as compared to year 2013 reflects the Bank's de-risking strategy.

7.2 Non Interest Income

Non-interest income decreased by 7.48% year-on-year, amounting to USD 251.8 million in 2014 as compared to USD 272.15 million in 2013.

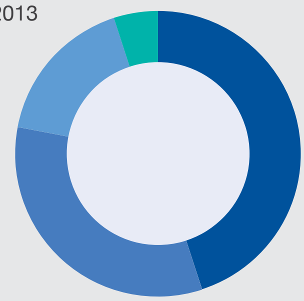
Constituents of Non-Interest Income

2014



	%
Net Commissions	57.2
Net Gain/(Loss) from Financial instruments at Fair Value through Profit or Loss	26.6
Net Gain/Loss from Financial Operations	11
Other Operating Income	5.2

2013



	%
Net Commissions	44.9
Net Gain/(Loss) from Financial instruments at Fair Value through Profit or Loss	33.4
Net Gain/Loss from Financial Operations	17.2
Other Operating Income	4.5

Net commissions showed an increase of 17.9% to USD 144.1 million in 2013, and a share of 57.2% of non-interest income. The remaining 42.8% of non-interest income in 2014 is mainly attributable to net gain/(loss) from financial instruments at fair value through Profit or Loss.

7.3 Staff and Operating Expenses

Staff and operating expenses reached USD 303.52 million in 2014, registering a year-on-year increase of 10.21%.

Staff expenses (salaries and related charges) increased by 9.15% in 2014 to USD 191.23 million while operating expenses went up by 12.07% to reach USD 112.29 million. Thus, staff expenses accounted for the largest share of staff and operating expenses with 63.01% while operating expenses stood at 36.99%.

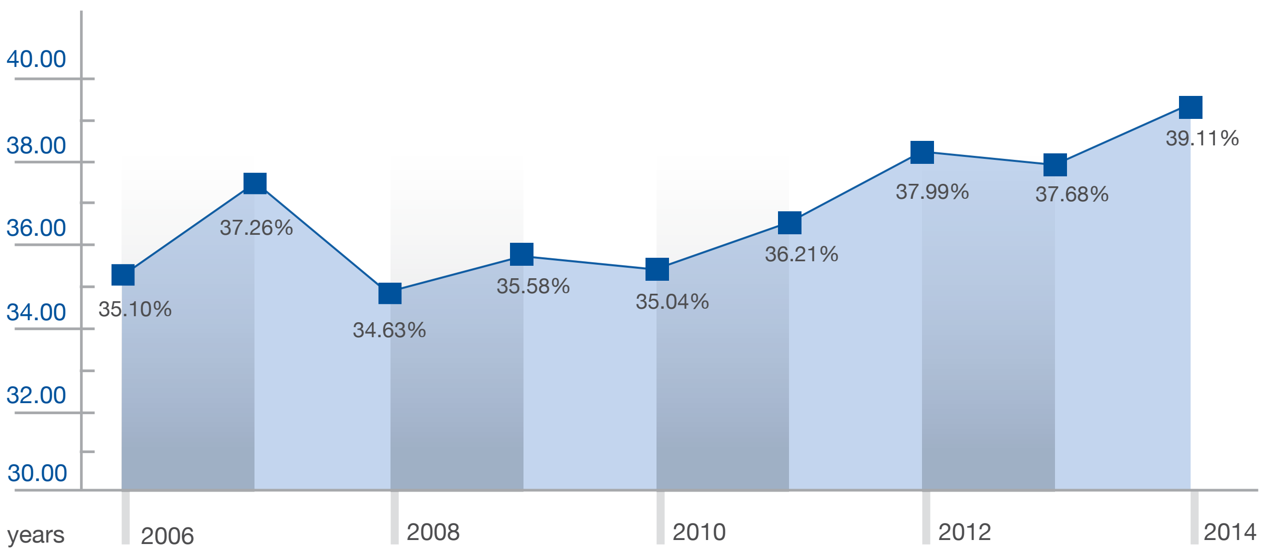
That said, BLOM BANK is still maintaining a relatively low cost-to-income ratio, reflecting the Bank's efficient cost-containment policy. The cost-to-income ratio increased to 39.11 % in 2014 compared to 37.68% in 2013.

USD Million	2014	2013
Staff Expenses	191.23	175.20
Operating expenses	112.29	100.19
	303.52	**275.39**

	2014	2013
Number of Employees*	4,705	4,503
Staff Expenses per employee (USD)	40,645	38,907
Operating expenses per employee (USD)	23,866	22,251

** For more details refer to 13.1*

Cost to Income Ratio



8. Dividend Distribution and Preferred Shares Revenue

During BLOM BANK's Annual General Assembly, on April 15 2015, the distribution of dividends for the year 2014 was approved. Holders of preferred shares series 2011 received a USD 0.7 per share. As for holders of common stocks and Global Depositary Receipts (GDR), they received the equivalent of LL 1,000 per share. All distributed dividends were subject to a 5% tax.

9. Risk Management and Basel Preparations

9.1 Risk Management Process

BLOM BANK is exposed to different risks stemming from normal business activities. Policies and procedures covering all types of risks have been implemented and updated regularly to ensure they take full account of the Bank's risk appetite and cover regulatory and internal guidelines while recognizing best practice methods. Appropriate limits are set within the different policies and monitored by the corresponding business lines.

The Bank's capital position is closely monitored by General Management and Group Risk Management. The latter is delegated by the Board of Directors to ensure sound, comprehensive and effective Risk Management practices and processes are in place throughout the Group.

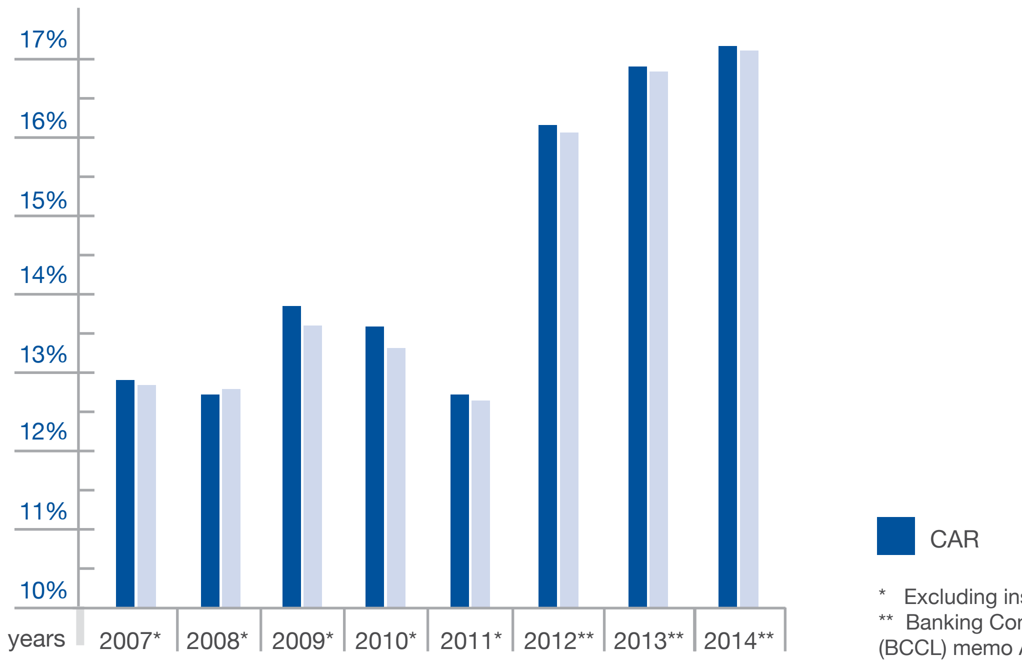
Furthermore, Group Risk Management has implemented a Risk Management Structure within the Group whereby the Bank's subsidiaries have their own Risk Managers that report to the Group Chief Risk Officer. Currently, there are eight country Risk Managers.

The major risks the Bank is exposed to are credit, market, liquidity and operational risks. Accordingly the Credit Risk Management, Market Risk Management, Operational Risk Management and Middle Office Departments monitor and manage the mentioned risks and report to the Group Chief Risk Officer. For his part, the Group Chief Risk Officer reports directly to the Chairman-General Manager and also interacts with the Executive Management through committees such as the Asset Liability Management Committee and the Credit Committee, as well as reports to the Board of Directors through the Board Risk Management Committee.

9.2 Capital Adequacy Ratio

The consolidated Basel III Capital Adequacy ratio of the Group reached 17.03% by the end of 2014 against 16.74% in 2013.

BLOM BANK Group (excl. Arope) Capital Adequacy Ratio/Tier I Ratio



* Excluding insurance companies
** Banking Control Commission of Lebanon (BCCL) memo April 2014

Lebanese banks are required to abide by the minimum set limits for the following three capital adequacy ratios by end of 2015:

Ratio	BLOM Ratio (as at end of 2014)	BCCL Minimum Limit (by end of 2015)	Basel III Minimum Limit (including capital conservation buffer of 2.5%) (by end of 2019)
Net Common Equity Tier 1 / Total Risk Weighted Assets	15.40%	8%	7%
Tier 1 / Total Risk Weighted Assets	16.93%	10%	8.5%
Total Capital Funds / Total Risk Weighted Assets	17.03%	12%	10.5%

BLOM BANK consolidated CAR ratios are clearly above the regulatory requirements and exceed the 12% that would be required by the Banking Control Commission of Lebanon by end of 2015.

Those ratios are calculated in accordance with the Standardized Approach for Credit Risk, the Basic Indicator Approach for Operational Risk and the Standardized Approach for Market Risk.

The Capital Adequacy Ratio evolution over the past year is as follows:

BLOM Ratio	Based on BCCL memo- April 2014		Based on BCCL memo- April 2013	
	2014	2013	2014	2013
Net Common Equity Tier 1 / Total Risk Weighted Assets	15.40%	15.05%	12.91%	12.67%
Tier 1 / Total Risk Weighted Assets	16.93%	16.65%	14.19%	14.01%
Total Capital Funds / Total Risk Weighted Assets	17.03%	16.74%	14.28%	14.09%

The primary difference between the calculation requirements of BCCL Memo of April 2014 and BCCL Memo of April 2013 is that the former assigns a risk weight of 50% to foreign currency Central Bank certificates of deposits and Central Bank placements whilst the latter previously assigned a risk weight of 100%. Even if taking the ratios calculated under BCCL Memo of April 2013, the Bank's capital adequacy is comfortably above both BCCL and Basel minimum limits.

As at end of December 2014, BLOM BANK's risk weighted assets are broken down as follows in accordance with BCCL directives of April 2014:

Risk Type LL Million	Risk Weighted Assets	% of Total Risk Weighted Assets
Credit Risk	17,292,857	85.24%
Market Risk	854,196	4.21%
Operational Risk	2,140,857	10.55%
Total	**20,287,910**	**100%**

BLOM BANK's capital fund as per Basel III as at end of December 2014 are broken down as follows:

LL Million	2014
Common Equity Tier I Capital	3,361,599
Common Equity Tier I Capital Deductions	(237,702)
Net Common Equity Tier I Capital	3,123,898
Additional Tier I Capital	310,408
Tier I Capital	**3,434,396**
Tier II Capital	**21,130**
Total Capital Funds	**3,455,526**

For regulatory as well as internal purposes, the Bank calculates the Basel Capital Adequacy Ratio on a group consolidated basis and by individual legal entity, allowing for close monitoring of the capital position of each banking subsidiary. In the latter case, every single entity achieved a Basel III Capital Adequacy Ratio above the minimum 8% international requirement.

9.3 Credit Risk Management

The major component of Credit Risk Weighted Assets is Central Bank placements and certificates of deposits which represents 23% of total Credit RWAs. The second highest Risk Weight Asset is Corporate and SME representing 21% of total Credit RWAs while commercial real estate share is 8%.

The Bank holds government paper in its Lebanese, Egyptian and Jordanian operations. Government paper comprises 14% of total Credit RWAs knowing that government papers held in Egypt and Jordan are mainly in local currency.
In 2014, Moody's Risk Analyst, the internal rating system for the Bank's commercial loan portfolio, was implemented in Jordan and UAE. Moreover, the generation of Internal Ratings through Moody's Risk Analyst system for the Bank's commercial, corporate, SMEs, Project Finance, HNWI, Cash-Collateral and Kafalat credit portfolios continued enabling the Bank to internally rate mentioned loans.
Retail Banking products in Lebanon, such as car loans, personal loans and credit cards, are also internally rated through the application scorecards developed by FICO.
The Bank loan portfolio is periodically monitored through statistical analysis and reports showing exposures vs. limits as well as the portfolio concentration by economic sector, group of borrower, countries of operation and other parameters.

The non-performing loans of the bank are managed closely with Gross NPL Ratio of 4.44% and Net NPL Ratio of 1.68% as end of year 2014. The total provision for end of year 2014 is USD 296.95 million, of which USD 212.49 million is Specific Provisions and USD 84.46 million is Collective Provisions.
On a consolidated basis, Syrian exposure constitutes 1.20% of total loan portfolio at end of 2014. This ratio would decrease to 0.58%, if collective provisions booked against the Syrian portfolio are accounted for.
Egypt constitutes the Bank's largest market after Lebanon, accounting for 8.4% of loans at end of 2014. This was up from 7.3% at end of 2013 and reflects the improved risk profile of the Egyptian market, a trend we expect to see continue over the coming year. This will also give an upward push to total credit risk weighted assets.

Evolution of Credit Risk Weighted Assets as percentage of Total Risk Weighted Assets over the past 3 years:

LL Million	December 2014*	December 2013*	December 2012*
Credit RWA	17,292,857	16,422,593	15,772,284
Total RWA	20,287,910	19,499,479	18,567,073
Percentage (%)	85%	84%	85%

* Banking Control Commission of Lebanon (BCCL) memo April 2014

9.4 Market Risk

A. Market Capital Charge

BLOM BANK calculates the market risk weighted assets based on the Standardized Approach. The risks to which BLOM BANK is exposed to under market risks are interest rate risk, equity risk and foreign exchange risk.

• The interest rate risk measures the risk of holding interest rate related instruments in the trading book. The capital charge for the specific risk should cover the risk of a change in the price of a security that is due to factors specific to the issuer of the security. While the capital charge for general market risk should cover the risk of loss arising from changes in market interest rates.

• The equity risk covers the risk of holding equity positions in the trading book. The minimum capital charge for equity positions bears a specific charge for holding a position in a specific equity, and a general charge for holding a position in the market as a whole.

• Foreign exchange risk defines the minimum capital charge that covers the risk of holding positions in foreign currencies.

The market risk charge for BLOM BANK is quite modest as the Bank has a relatively limited trading book. This is a deliberate policy on the part of the Bank to avoid assuming unnecessary risk and to ensure solidity in its capital and liquidity positions.

The regulatory capital requirements for market risk as at end of 2014 are broken down as follows:

Market Risk Type LL Million	Risk Weighted Assets	Capital Requirements
Interest Rate Risk	131,457	10,517
Equity Risk	479,194	38,336
Foreign Exchange Risk	243,545	19,484
Total	**854,196**	**68,336**

Evolution of Market Risk Weighted Assets as percentage of Total Risk Weighted Assets over the past 3 years:

LL Million	December 2014*	December 2013*	December 2012*
Market RWA	854,196	1,061,537	894,035
Total RWA	20,287,910	19,499,479	18,567,073
Percentage (%)	4.21%	5.44%	4.82%

* Banking Control Commission of Lebanon (BCCL) memo April 2014

B. Market Risk Management

The Market Risk Department monitors limits set within market risk policies that are approved by the Board of Directors in line with the Bank's risk appetite. The Market Risk Department has the responsibility of identifying, measuring and reporting market risks to the management. The Sungard Focus ALM system with its analytic as well as scenario generating capabilities, enables the Bank to closely monitor liquidity and interest rate risks by generating detailed Interest Rate Sensitivity Gaps, Earnings at Risk, Cash-flow balance sheets, Interest Rate Shocks and Foreign Exchange fluctuation scenarios.

The Market Risk Department closely monitors the Bank's funding and liquidity position and performs various stress tests to take into account changes in the operating environment in Lebanon and the region.

9.5 Operational Risk

The Operational Risk Department of Group Risk Management ensures that all activities are covered by clear policies and procedures taking into account all relevant risk aspects which are highlighted through risk control self-assessments of all business and operational activities. The Bank maintains detailed Loss Incidence Database reflecting Basel requirements whereby business lines and loss types are clearly highlighted. Moreover, the Operational Risk Department prepared a new more comprehensive Business Continuity Plan that covers potential emergency scenarios and ensures that Business Continuity policies are in conformity with best practices.

Capital funds specific to cover operational risks in the calculation of capital adequacy ratio are determined according to the Basic Indicator Approach. Under the Basic Indicator Approach, the Bank holds capital for operational risk equal to the average over the previous three years of a fixed percentage (15%) of a positive annual gross income.

Gross Income is arrived at by taking the average of the positive annual gross income over the past three years. Figures for any year in which annual gross income is negative or zero, should be excluded from both the numerator and denominator when calculating the average.
Gross income is defined in accordance with Basel standards as net interest income plus net non-interest income.

Further this measure should:

- Be gross of any provisions (e.g. for unpaid interest)
- Be gross of operating expenses, including fees paid to outsourcing service providers
- Exclude realized profits/losses from the sale of securities in the banking book and
- Exclude extraordinary or irregular items as well as income derived from insurance.

Evolution of Operational Risk Weighted Assets as percentage of Total Risk Weighted Assets over the past 3 years:

LL Million	December 2014*	December 2013*	December 2012*
Operational RWA	2,140,857	2,015,349	1,900,753
Total RWA	20,287,910	19,499,479	18,567,073
Percentage (%)	10.55%	10.34%	10.24%

* Banking Control Commission of Lebanon (BCCL) memo April 2014

9.6 Liquidity Risk

Liquidity refers to the condition where the Bank has ability to fund, on an on-going basis, any decreases in its liabilities or increases in its assets by either obtaining new liabilities or selling or leveraging on existing assets. Liquidity management in the Bank aims to enable the Bank to adequately fund its business activities both in normal and stressed market conditions. The Bank places importance on maintaining high liquidity to meet short term needs, as well as sustaining a stable deposits base. The Bank manages liquidity in line with regulatory requirements, Basel committee directives and best practices.

The Bank and in the process of monitoring its liquidity status has established early warning indicators that could warn it of impending liquidity problems. Should such a situation occur, a contingency funding plan is put in place in order to restore the status quo as soon as possible, while at the same time avoid any unnecessary measures that could aggravate the problem and lead to contagion of the wider market.

The Bank has a variety of liquidity measures that are regularly monitored and include limits on maturity gaps and ratios covering the concentration of deposits base, the availability and concentration of liquid assets. The Bank places a great deal of emphasis on ensuring a solid funding base. In its home market, this translates into a heavy weighting of retail deposits which have traditionally been characterized by high stability in terms of customer loyalty and therefore high roll-over rates. The loans to deposits ratio was stable at 28.8% at end of December 2014 reflecting a conservative asset deployment strategy. We would expect this to be less pronounced going forward, though still inclined towards a conservative stance, as some of the Bank's main overseas markets consolidate increased stability, particularly Egypt.

The two minimum standards for funding liquidity that were developed by the BCBS, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) are measured for the Bank's different entities. For Lebanon the Basel calculation of the LCR results in a particularly high level, exceeding by far the Basel minimum limit, accordingly an internal measure was developed and is monitored regularly.

Liquidity stress tests are periodically conducted in order to assess to which level the set Liquidity Contingency Plan is capable of handling various liquidity crisis scenarios.

9.7 Interest Rate Risk in the Banking Book

Interest rate risk is the risk where changes in market interest rates might adversely affect the Bank's financial conditions through its impact on Net Interest Income (NII) in the short term and its impact on the economic value of the Bank's assets, liabilities and off-balance sheet positions in the long term.

The impact of a 2% sudden interest rate shock across all currencies for the group would result in a reduction of 28.5% of 2014 Net Interest Income. BLOM BANK Lebanon constitutes the biggest portion of the Group's balance sheet. In Lebanon, a structural gap is inevitable due to short term contractual maturity of deposits even though empirically their behavioral maturities are much longer. Should such a shock be realized, which is highly unlikely in the near term, the Central Bank has a variety of tools at its disposal which would alleviate the results of such an outcome.

9.8 Internal Capital Adequacy Assessment Process (ICAAP)

The ICAAP of BLOM BANK is driven by the Board of Directors (BOD) through the Board Risk Management Committee (BRMC) and the Group Chief Risk Officer (GCRO). The Group Risk Management Division (GRMD) calculates the capital adequacy levels (both regulatory and internal) based on the Bank's risk profile and reports it through the Group CRO to General Management, BRMC and the BOD.

The purpose and objective of the ICAAP is to ensure that the methodology to calculate the internal capital requirements takes into account all the material risks faced by the Bank and is reflective of the actual risk profile of the Bank.

The ICAAP considers all risks faced by the Bank, and mainly: Pillar I risks (credit risk, market risk, operational risk), risks not captured under Pillar I but elaborated under Pillar II (credit concentration risk, interest rate risk in the banking book, liquidity risk, reputation risk, strategic risk), risk factors external to the institution, non-banking risks (sovereign risk).

The approach followed in undertaking the ICAAP covers both qualitative and quantitative assessments of risks and controls. The qualitative aspect addresses the adequacy of risk governance in all of BLOM BANK Group entities. The quantitative aspect relates to the financial modeling done to calculate capital requirements. As part of the quantitative aspect, GRMD also conducts stress testing of the future business projections to assess the adequacy of capital and liquidity profile under adverse conditions.

The ICAAP takes into account forward-looking factors such as the Bank's strategic plans and conceivable external changes.

The Bank has in place a strategic plan that clearly delineates its near-and-longer term capital needs, capital expenditures required for the foreseeable future, target capital levels, and external capital sources, if needed. The ICAAP model is developed over these business projections to calculate projected capital requirements under normal as well as stressed scenarios.

In addition, the Bank performs rigorous and forward-looking stress tests that identify plausible severe events or adverse changes in market conditions, and assess their impact on the Bank's capital adequacy. In case a stress event/scenario is identified which may severely affect the capital adequacy and liquidity of the Bank, General Management decides an appropriate corrective/remedial action to be taken under such an event/scenario to restore/bring back the capital adequacy and liquidity of the Bank to acceptable levels within the Bank's risk appetite limits.

Stress tests applied cover the different types of risks the Bank is or might be exposed to. To name a few, for credit risk for example one of the stress tests is a percentage of performing loans becoming non-performing; for market risk, decline in equity market; for operational risk, occurrence of natural disasters, acts of war and/or terrorism; for liquidity risk, percentage of funding is withdrawn; for interest rate risk, shift in yield curve; for strategic risk, poor performance of a certain number of branches…

Stress tests vary in their impact following a three-level scale: mild (being the lowest), medium and severe (being the highest). Stress tests are applied as individual stress events and as a scenario (combination of stress events). Based on the Bank's internal model and methodologies, capital needed under the Internal Capital Adequacy Process includes capital to cover credit, market, operational, liquidity, interest rate risk, concentration, systemic and other risks (i.e. strategic, reputational..) and capital to cover the qualitative assessment of the various risks. In addition, it also encompasses a capital buffer that the Bank calculates to serve as a cushion in case of a stressful situation. With all the aforementioned, BLOM BANK on a consolidated level has a high quality and adequate level of capital. For instance, it has an expected capital surplus, after accounting for Pillar I risks (credit, market and operational), Pillar II risks (concentration, interest rate risk in the banking book, liquidity, systemic and other risks and qualitative side of risks…) as well as a stress buffer, of around 42% to total required capital under the internal assessment methods adopted by the Bank for the year-end 2014.

The Bank develops a comprehensive ICAAP Document concerned with managing and forecasting capital requirements across the Group and is submitted to the Banking Control Commission of Lebanon.

The Bank also documents its risk appetite statement, detailing the following aspects: risk profile and materiality of risks faced, risk appetite objectives, risk appetite framework and risk appetite metrics along with their thresholds. BLOM BANK risk appetite statement constitutes both quantitative and qualitative parameters. It is elaborated at each entity level as well as on a consolidated level.

The whole ICAAP process is governed by an ICAAP policy that the Bank has developed that aims at ensuring an integrated view of all aspects related to ICAAP process and its management, as well as providing guidelines for its effective implementation by the Bank; and its role in the overall process of management of all risks the Bank is exposed to in its operations.

The ICAAP exercise is updated on a yearly basis and significant changes are reported to the Bank's General Management and Board Risk Management Committee. For instance, the Bank is currently updating its ICAAP Model based on December 2014 figures and does not foresee any deterioration.

The Bank's capital management philosophy is aimed at maintaining an optimum level of capital and liquidity to enable it to pursue strategies that build long-term shareholder value, while maintaining adequate capital and sufficient liquidity levels.

In brief, the ICAAP exercise showed that the Bank has a highly adequate capital base to support its operations and to finance its growth in line with its strategic objectives. The Bank holds sufficient capital to weather stressed situations.

10. Corporate Governance

BLOM BANK's Corporate Governance Code was approved at the end of 2007 by the Board of Directors and most recently updated in November 2014. The Corporate Governance Code is published on the Bank's Website.

In 2014, BLOM BANK continued to promote good corporate governance practices and to implement solid corporate governance standards in its portfolio of regional investments to mitigate financial risks and protect its shareholders' rights, knowing that BLOM BANK was the first bank in Lebanon to sign the Investors for Governance and integrity (IGI) Declaration and to commit to implement the Governance and Integrity Rating (GIR) guidelines and recommendations into its own ownership policies and practices, and work to further the advancement of good corporate governance practices thus contributing to the safety of the financial environment in Lebanon.

The Board exercises its oversight function to a large degree through four dedicated Board Committees: the Board Audit Committee, the Board Risk Management Committee, the Board Consulting Strategy and Corporate Governance Committee and the Board Nomination and Remuneration Committee. The Charters of the four Board Committees are published on the Bank's Website. Other details related to the Board Committees' meetings are also available on the Bank's Website. The Board Committees are fully functional and meet in accordance with their stipulated frequency.

The Board Audit Committee's responsibility is to monitor and assess the integrity of the Bank's financial accounting. The Board Audit Committee also assesses the competence of External Auditors as well as the Group Internal Audit Division, in addition to internal controls and compliance with the Bank's by-laws and internal regulations.

The Board Risk Management Committee periodically reviews and evaluates the Risk Management function of the Group, reviews the adequacy of the Bank's capital and its allocation within the Group, recommends to the Board the parameters of BLOM BANK's risk management strategy, monitor the risk profile and oversee inherent risks, reviews the risk limits and reports and makes recommendations to the Board.

The Board Consulting, Strategy and Corporate Governance Committee oversees the development of the strategic plan and monitor its progress throughout the Group. It approves and monitors large projects, develops corporate governance policies and practices, and advises the Board on overall business development. It is also responsible for assessing, making recommendations on and approving the Bank's vision, mission and values, its goals, programs, annual and long term budget and business plan for eventual submission for approval by the Board of Directors.

The Board Nomination and Remuneration Committee provides assistance to the Board in identifying individuals qualified for directorship, nominating competent Board Committees' members and recommending nominees to the Board of Directors, establishing a succession plan for Board members as well as General Managers, setting remuneration standards for the Bank's Top management in BLOM BANK and its local subsidiaries in Lebanon and submitting these standards to the Board of Directors, assessing the performance of Top Management and Board of Directors, preparing and submitting the Remuneration Policy and the Remuneration System to the Board of Directors for its approval, supervising the proper implementation of the Remuneration Policy, performing a periodic review of the rules/principles based on which the Remuneration Policy is implemented and submitting recommendations to the Board of Directors for amending and updating the Policy.

The Bank in its Corporate Governance Code has established independence criteria for non-executive members of the Board who must constitute a majority of the Board.
In April 2015, the General Assembly of shareholders elected a new Board of Directors for a three years mandate (ten members were re-elected and two new members were elected increasing the total number of Board members to twelve with a majority of independent Directors). In their first Board meeting after their election,

the directors have re-elected the current Chairman for a new mandate and have elected new members for the Board Committees to ensure that new Directors are involved in the Committees' work.

The Bank firmly believes in the basic principles of accountability, reporting and transparency throughout the organizational structure. Senior Management exercises the authority delegated to it by the Board through clear and segregated reporting channels, including Management Committees covering all areas of operations. Senior Management also ensures that internal risk and control procedures and structures are overseen by the Group Internal Audit Division, the Group Risk Management Division and the Group Compliance Division.

To strengthen the Board's oversight function of management, the independent and non-executive Board members meet at least once a year independently from Management and other executive Board members and outside the framework of Board Committees to discuss the various operations and the overall situation of the Bank.

In order to assess its areas of strengths and weaknesses, and improve the efficiency and effectiveness of its decision making, the Board of Directors undertakes an annual evaluation of its performance. Board members fill a questionnaire to evaluate the global performance of the Board. Questions focus on topics like: Board Structure and Committees, Board Meetings and Procedures, Strategy Formulation & Effectiveness, Relationship with Management, Board of Directors' Functions, Succession Planning and Training. The Board can then discuss the outcome of the evaluation in a constructive manner and focus on ways to improve itself. The same exercise is also conducted by the Directors to evaluate the performance of the Chairman.

In order to evaluate the effectiveness of the CEO, the Board of Directors undertakes an annual evaluation of his performance. The CEO as the leading member of Top Management is evaluated on an annual basis by way of questionnaire filled by members of the Board on the basis of various criteria covering: Leadership and Managerial qualities, Communication, Strategy Formulation, Strategy Execution, Judgment and Sensitivity, Financial Planning/ Performance, Relationship with the Board, External Relations, Human Resources Management Relations, Operations Management, Product/ Service Knowledge and Personal Qualities. The outcome of the evaluation will be disclosed to members by the Corporate Secretary.

In 2014, the Board of Directors appointed a Corporate Secretary. The Corporate Secretary is responsible for updating the Bank's Code of Corporate Governance and its appendices: the Board Committees' Charters and the Disclosure Policy in compliance with regulations and updates and the international best practices requirements, and ensuring that these changes are approved by the Chairman – General Manager and then approved and signed off by the Bank's Board of Directors as well as ensuring the proper implementation of the Code at all levels and the compliance of the Bank with its Code. The Corporate Secretary is also responsible to perform several others tasks stated in the Corporate Secretary Charter and the Corporate Governance Code. The Corporate Secretary acts as the Secretary of the Board of Directors and as Secretary for the Board Consulting Strategy and Corporate Governance Committee as well as for the Board Nomination and Remuneration Committee.

In June 2014, the independent Board members held a meeting and elected among themselves a director to serve as "Lead Director" for one year. The Lead Director is annually elected by independent Directors and is responsible for leading the Board's independent Directors to engagement and consensus, ensuring that independent consensus is heard and implemented. The Lead Director coordinates the activities of the other independent directors, and performs such other duties and responsibilities as the independent directors may determine. He also assists the Board in discharging its duties, responsibilities and obligations independently of Management.

In 2014, the Board of Directors approved new governance related policies including the Succession Planning Policy for BLOM BANK – Jordan Branches and the updates of other policies such as the Remuneration Policy. The Remuneration Policy relates to the level and structure of the remuneration package for the Board of Directors, Top Management, senior executives, control functions and all levels and categories of employees.
The Remuneration policy applies to BLOM BANK, to its local banking subsidiaries and to its foreign branches insofar as it does not conflict with the applicable laws in the said countries and provides a framework for compensations paid to Board members and Senior Managers ensuring that such compensations are evaluated on the basis of the long-term performance of the Bank. It also aims to provide clarity on how employees will be paid and what benefits they may receive. It also covers all categories of remunerations and their granting conditions in order to contribute to the enhancement of the Bank's general long-term performance from both a financial and non-financial standpoint and to achieve the purpose for which those remunerations were granted.

The remunerations of all Bank employees can comprise fixed and variable components (cash revenues and other non-monetary incentives). These components are determined based on the different business specifications of the Bank and its scope of work as well as the nature of work of the employees, their levels and their responsibilities. The overall granted remunerations should not affect the financial position of the Bank, its interests, its current or future capacities (in the medium and long terms), its liquidity, its reputation as well as its capital adequacy.

The remuneration of all employees should be based on their performance evaluation. In order to evaluate the performance of all employees in an objective and transparent manner, the written performance appraisal guidelines and the performance appraisal forms should include at least the following elements:

1. The employee's commitment to the Risk Management policies and procedures.
2. The risks associated with the operations performed by the employee.
3. The total revenues or profits generated by the employee for the Bank, if applicable.
4. The evaluation of the employee's individual contribution to the Bank's overall performance, if possible.
5. Other elements according to the nature of the work.

The Bank makes sure that all employees act professionally, ethically and with the utmost integrity in accordance with an established Fraud Policy and Code of Conduct. Additionally, the Bank recognizes the value of its Human Resources as a prime stakeholder in the institution, endeavoring to treat all employees in the most equitable manner.

The Human Resources Division has drawn-up a procedure for compliance with the Code of Conduct including the organization of training on annual basis. The Code of Conduct is available on the Bank's Website. Presentations are given to employees to facilitate their understanding as well as raise their awareness of good corporate governance. These presentations are conducted at entry level and at least every two years to representatives of all branches and business units.

The Bank will continue to develop its Corporate Governance practices as well as its governance structure in line with the latest regulatory requirements and international best practices while seeking to protect minority shareholders' rights and enhance stakeholders' interests from shareholders to employees.

11. Universal Banking Services

In line with its aim of maximizing customer satisfaction and increasing shareholders' value, BLOM BANK has adopted the policy of diversification of its products and services. BLOM BANK provides the following universal banking services that suit all customers' needs:

- BLOMINVEST BANK Services
- Commercial and Corporate Banking
- Retail Banking
- Islamic Banking
- Insurance Products and Services

11.1 BLOMINVEST BANK Services

BLOM BANK through its investment banking arm, BLOMINVEST BANK, is one of few institutions within the greater Levant region that offer Private banking, Investment banking, Asset Management, Brokerage, and Research services under one roof. Based on its track record, BLOMINVEST BANK to date remains the most awarded local investment bank.

Private Banking Services
A dedicated team of private bankers optimize the wealth management and financial advisory experience of clients by offering them tailor made investment instruments that are in line with their risk profile and across an open architecture platform of diverse asset classes.

Investment Banking Services
A team of investment banking experts offers equity and debt capital markets advisory services to the private and public sector in terms of capital raising, mergers and acquisitions advisory.

Asset Management Services
An experienced team of asset managers oversee the entire value chain of fund management business by engineering sustainably performing funds that meet the low-medium risk profile of client demand, in addition to undertaking discretionary portfolio management.

Brokerage Services
A team of skilled traders extend competitive and around the clock execution on global capital markets from fixed income instruments to equities to derivatives to currencies and precious metals with active market making capabilities.

Research Services
A team of economists and analysts provide value added research and equity coverage across the MENA region by systematically publishing economic and financial information including indices as well as conducting equity analysis on leading regional institutions.

Real Estate Services

Our Real Estate team has extensive experience in sponsoring, structuring and carefully managing selected real estate projects spanning across retail, commercial and residential markets and across BLOM BANK Group's presence abroad.

11.2 Commercial and Corporate Banking

BLOM BANK maintained its expansion in 2014 by opening new branches in Lebanon and abroad, while improving the efficiency of the several divisions of the bank securing a high level of supervision and control. In this regard the Bank's portfolio moderately increased at both the corporate and the SME level, benefiting from the availability of high liquidity and wide range of credit products tailored to satisfy customer needs, whilst preserving the credit practices of BLOM BANK.

Subsidized and Soft loans

BLOM BANK continued to take advantage of the several incentive schemes offered by BDL to enhance different activities pertaining to all sectors of the economy. Of mentioned schemes, a high level of financing was contributed to environmental friendly operations as well as to supporting start-up businesses at favorable terms, thus adding towards the Bank's contribution in corporate social responsibility.

Arab Trade Finance Program (ATFP)

2014 witnessed a boost in the line offered by ATFP to BLOM BANK's clients as a result of the Bank's enhancement of such facilities in 2013 in light of its strong network of branches and favorable relationship with major traders that export goods to Arab countries. The line of facilities granted under ATFP increased by 40% and was extended to a larger number of corporate clients at favorable rates.

SME Relationship Department

The SME Relationship Department built up on its experience from 2013, remarkably increasing the Bank's market share in this field of financing taking advantage of the Bank's wide geographic presence.

Corporate Financing and Syndicated Loans

BLOM BANK's Corporate Department expanded the banking relationship with existing corporate clients and attracted new corporate clients mainly in the fields of manufacturing, trade, Project Financing, and Real Estate Development projects.

Islamic Financing

BLOM BANK expanded its Islamic Financing arm by opening a new branch in Saida, while maintaining to offer preferential Islamic products and services compliant with Islamic Shariaa through its subsidiary, BLOM DEVELOPMENT BANK.

Overseas Financing

During 2014 BLOM BANK expanded its regional presence by entering new promising markets in Baghdad and Erbil offering its banking services to its client's with current or potential business activities in these markets.

Moreover, banking activities in Egypt regained its boost as a result of recovering political and economical stability in the country, which was reflected in the increase of the bank's credit portfolio in this country. In addition, BLOM BANK strengthened its presence in its existing markets while mitigating all associated risks.

In conclusion, BLOM BANK Group succeeded to enhance its local and worldwide operations even with the increasing level of uncertainties, due to its sound lending and control policies, while contributing fundamentally to the development of the Lebanese and Arab Economies.

11.3 Retail Banking

11.3.1 Products and Services

In 2014, BLOM BANK introduced new retail products, and developed its portfolio of existing payment cards, loans, and services.

Payment cards

BLOM BANK offers a wide range of payment cards that target different customers, provide different methods of payments and meet different purposes. These cards vary in type and in currency. The segmentation of cards takes into consideration the various types of customers and their card needs; debit, charge, credit, co-branded and prepaid.

As such, BLOM cards are under both brands: Visa and MasterCard; and range from Electronic, Classic, Gold, Titanium, Platinum, Signature, Infinite, and Corporate (Business Platinum, Platinum Corporate, and Classic Corporate cards).

Moreover, the Bank has Internet cards dedicated for Internet users, a Platinum Euro card for those who visit Europe frequently, and prepaid cards "mini" for those wishing to have a card without opening an account. BLOM BANK also has "Watan", a card which was launched solely for the Lebanese army, internal security and national security forces.

BLOM BANK also offers the Khoury Home Visa Platinum card, specially designed for the distinguished customers of Khoury Home, combining the benefits of holding a Visa credit card and the rewards for enrolling in Khoury Home loyalty program. The card offers a repayment method allowing cardholders to settle their purchased item in equal monthly installments.

BLOM BANK was the first bank in Lebanon to launch the "Personalize your card" service whereby cardholders can add on the front of their card a personal image from their own collection, or an image from BLOM BANK's unique Image Library, which includes categories like sports, wildlife, love, pets, holidays and special occasions to name a few. BLOM BANK exclusively offers the possibility of having this service online or physically through any branch.

The BLOM MasterCard Giving cards, launched in 2010, remain one of Lebanon's most innovative affinity cards, a first of its kind program in the world. In collaboration with the Lebanese Mine Action Center, a unit in the Lebanese Army, the BLOM Giving cards assist in the removal of mines and cluster bombs from the Lebanese territories. The program offers a Gold MasterCard or a Titanium MasterCard card, which combine the benefits of a credit card, with the ability to donate to the LMAC, which is in charge of demining the Lebanese territory, spreading awareness in the minefields' surroundings and caring for those who are injured due to mines.
Donations are made whenever BLOM MasterCard Giving cardholders pay the card's annual fee and whenever they use their cards for purchases or for cash withdrawals.

On July 18, 2014 BLOM Bank launched "Be the Hero" two-months Campaign, in which the BLOM Giving card doubled its contributions to the Lebanese Mine Action Center.

BLOM BANK also offered BLOM Shabeb credit cards, another CSR initiative from BLOM BANK, free for students of predetermined universities. The BLOM Shabeb Program (www.blomshabeb.com) is a comprehensive platform launched in 2010 that helps the Lebanese young generation plan their education and facilitate their career choice to ensure a successful future.

In 2013, BLOM BANK partnered with "touch", the leading telecommunications mobile operator in the Middle East and Africa, to introduce the first single branded card in the Middle East involving a telecommunications company. The exclusive, feature-packed credit card is available as a Visa Gold or Visa Platinum and offers its holders a reward program that provides their choice of free minutes, or SMS or internet with every purchase made with the card. In July 2013, BLOM BANK introduced touch Gold for prepaid line users as an extension to the existing credit card program. It is the first card in the world to offer instant minutes of talking time upon each purchase made with it. In November 2014, a new campaign was introduced for touch cardholders offering them the opportunity to get the all new iPhone 6 at $74/month over 12 months in addition to 4 months FREE 4G (1.5GB/month).

After the huge success of the Alfa BLOM co-branded cards which had been introduced in 2007, BLOM BANK joined hands once more with the telecom company to introduce the Alfa BLOM Corporate Platinum card, a first of its kind in Lebanon and the region. The new Alfa BLOM Corporate Platinum MasterCard credit card represents an ideal payment solution for companies, offering free talk time on Alfa mobile lines and a revolving line of credit, developed specifically to match corporate needs.

Part of its innovative strategy, BLOM BANK launched the "Instant Talk Time" on the Alfa BLOM Classic cards dedicated for Alfa prepaid line users. The new feature grants holders of these cards instant free talk time credit on their prepaid line with every purchase they make using the card.

The Beirut Traders Shopping card is a groundbreaking program that was launched on October 2013 by BLOM BANK in partnership with the Beirut Traders Association. The card grants its cardholders unsurpassed exclusive discounts from over 800 merchants in Beirut and surrounding areas, making it the largest network of deals in Lebanon. With LeMall joining the program in 2014, cardholders can now benefit from 3 points with every 1$ spent at any of the merchants available at LeMall Dbayeh, Sin El Fil, or Saida; in addition to 1 point with every 1$ spent anywhere else in the world. Cardholders applying from LeMall will also take advantage of 2 free VIP movie tickets as a welcome gift when they first receive the card. A new mobile application entitled "Shop & Save" has also been developed that allows users to browse through the available offers.

On August 20th, 2014, BLOM BANK and Arope Insurance held a press conference at Arope's new Head Office in Zalka, to announce the launch of the All-New and unique in its category for the Insurance sector, AROPE SIGNATURE Credit Card from VISA.

The card is loaded with unsurpassed exclusive benefits and discounts. In fact, in addition to a unique spending power in Lebanon and abroad, AROPE Signature Card offers a yearly free motor compulsory insurance against bodily injury to the cardholder's car, special discounts on insurance policies at AROPE Insurance, special discounts on new spare parts and on concert tickets sponsored by AROPE Insurance. Moreover, AROPE Signature Credit Card offers free access to a selection

of VIP lounges around the world, a free medical support around the clock and internationally, a free concierge service, a free life insurance of the card's outstanding balance and a free multi-trips travel insurance.
This is along with a special double rewards program where cardholders get 4 Golden Points or 2 Golden Miles for every dollar spent at AROPE Insurance, and 2 Golden Miles or 1 Golden Point for every dollar spent elsewhere.

On the occasion of the FIFA World Cup 2014, BLOM BANK introduced the BLOM Visa Fifa 2014 credit and debit cards. The bank kick-started the campaign on January 1st, 2014 giving all its Visa cardholders the exclusive chance to watch the semi-finals live in Brazil by simply using their card for purchases in Lebanon and abroad. Clients who apply for the new card were also given the chance to win exclusive packages to Brazil to watch the matches. Winners won trip round trip tickets to Sao Paolo, accommodation at a 4 star hotel, two category 2 tickets for the match and $150 Visa prepaid card per person.

POS Machines

BLOM BANK's POS machines accept payment cards under the brands of Visa, Visa Electron, MasterCard, MasterCard Electronic, and Maestro. The machines are equipped with the latest EMV technology that allows acceptance of Chip cards. This technology provides ultimate security to both the cardholder and the merchant.

BLOM BANK provides merchants with a next day settlement of the transaction amount, with a one day value date as of the settlement of the amounts. BLOM BANK also dedicates an account manager to handle all inquiries and suggestions concerning POS issues. In addition, BLOM BANK puts at its merchants' disposal a 24 hour call center which is tailored to cater for all needs and to provide all the needed support.

As a convenience to our valued international customers, BLOM BANK offers the choice for cardholders to pay in their currency. Clients can enjoy the comfort of knowing the exact amount of their purchase in their own currency when presenting their Visa or MasterCard denominated in a major currency.
BLOM BANK's POS machines have been upgraded to accept instant redemption for Golden Points and Golden Miles. Cardholders can pay for their airline tickets or chosen gift via their accumulated miles and points.

Merchants in Lebanon wishing to install BLOM POS machines have a choice between:

Regular POS Machines
Require electricity line and a fixed telephone line. These machines are dual currency, accepting USD and LL.

GPRS machines
Wireless and do not require any electricity or telephone cables, and do not even require any telephone line. With a SIM card provided by BLOM BANK, our GPRS machines are mobile, allowing merchants to move them anywhere they desire. They accept dual currencies (USD & LL).

Bluetooth Machines
Cordless solution that connects via wireless Bluetooth access point. These are suitable for merchants such as restaurants and cafés; they accept dual currencies (USD & LL).

Ethernet Machines
Ethernet credit card readers offer faster connections than the conventional types of credit card readers and eliminate the use of another phone line just for doing point-of-sale transactions. This provides significant savings for multi-terminal operations, such as those used by bigger retail stores.

Reward Programs

The BLOM Golden Points Loyalty program enables customers to accumulate Miles and Points with every 1 USD spent using their card. Cardholders may redeem their miles for airline tickets to the destination of their choice, and on the carrier they desire. Points are redeemable for valuable gifts such as free stays at the finest hotels, fragrances, electronics, and much more.

BLOM BANK was the first to introduce a groundbreaking service allowing cardholders to redeem their miles and points instantly via the merchant's POS machine. No need to visit their branch and pick up a voucher, clients can directly head to the merchant to redeem their points and pick up the gift they wish to redeem their points for.
The Golden Points catalogue also contains exclusive offers from a list of merchants. BLOM BANK Cardholders can enjoy a list of discounts from restaurants, hotels, electronics and clothing stores when using their BLOM cards.
All offers and valuable prizes are available on www.blomgoldenpoints.com

Retail loans

BLOM BANK's customers can take advantage of a number of loans to satisfy their various needs. The available loans are: student loans in cooperation with the American University of Beirut and other institutions; consumer loans in association with a number of leading retailers in Lebanon; solar loans in association with

numerous local companies that offer solar system installations.
Clients can also apply for a personal loan with Kardi, a car loan with Sayarati, or a housing loan with Darati.

SME loans

Small and medium enterprises or even self-employed or business owners can benefit from a variety of loans tailored for their needs:

Small Business Loan for SMEs
Including a special program offered in coordination with the European Social Fund for Development.

Business Loan
For financing an office, a warehouse, a clinic, etc.

KAFALAT
It is a subsidized loan for small business owners.

Bancassurance Services
AROPE Insurance, BLOM BANK's subsidiary, offers all kinds of insurance services from personal accident, to health, to fire, to car insurance and so on. BLOM BANK also offers investment programs coupled with a life insurance policy in collaboration with Arope Insurance. A successful line of savings/insurance plans is also on offer; DAMANATI
Plus, a retirement plan coupled with life insurance and WALADI Plus, a child's education program, coupled with life insurance.

Investment Products
BLOM BANK offers a collection of investment products to help manage one's finances in a better, safer and more profitable way. Accordingly, BLOM BANK, in collaboration with BLOMINVEST BANK, offers a collection of Mutual Funds.

Special Accounts
BLOM BANK offers a number of special accounts, catered for special needs. In addition to "Maksabi", and the traditional savings and current accounts, below are other special accounts from BLOM BANK:

Salary Domiciliation accounts
A solution for both employers and employees to make the most out of their salary. Clients opening a salary domiciliation account receive many banking facilities including credit cards with 9 times worth their salary, or personal loans with up to 14 times worth their salary.

Account Plus
3 types of bundled accounts that offer the client current accounts with various services for a monthly fee: Account Plus Classic, Account Plus Gold and Account Plus Platinum.

Wedding List
Clients opening a Wedding List Account benefit from personalized debit cards, a preapproved credit card, along with exclusive offers that are related to that Special Day, and created to save up on all your wedding expenses.

Full Option Account
In October 10, 2014 BLOM BANK introduced a new account, to help clients benefit from flexibility, convenience, and liquidity. The Full Option Account will be given with every loan or salary domiciliation, granting clients services and benefits designed to make their banking journey a rewarding one. The Full Option Account is coupled with an overdraft that provides clients with even more flexibility in addition to a free Visa Debit Classic card and 2,000 bonus Golden Points.

Oumnyati
The new 'Oumnyati' savings account is another extension of BLOM BANK's peace of mind designed to provide clients with interest on small amounts of money. 'Oumnyati' is a time deposit account that allows to save for a brighter future from as low as 50 USD or 75,000 LL per month!

Customer Service

The primary aim of BLOM BANK is to better service its customers by offering the best products and services.

BLOM eCash
The BLOM eCash service offers customers the possibility of making transfers to any person without the need for a bank account. The transfer is initiated by the customer through his PC or mobile and the funds are withdrawn by the recipient from any BLOM ATM without a card.

Sales Force
BLOM BANK has more than one sales channel which range from Direct Sales, to indoor Sales, to telemarketing teams available to promote and sell each and every Retail product or service.

Call Center
BLOM BANK customers can enjoy the convenience of a 24-hour call center, ready to cater for all their needs and inquiries. The retail department also has a telemarketing team to make outbound informative calls to existing clients.

E-Banking

BLOM BANK offers its customers phone banking services such as “Allô BLOM” (a 24-hour customer service) as well as internet banking services such as e-BLOM. This service allows users to complete many of their routine banking transactions in the comfort of their home/office. The client may even apply for a card, issue a prepaid card, or even perform outgoing transfers.

Mobile Banking

The Mobile Banking service is a member of the eBLOM suite of electronic services and delivery channels and is a completely optimized service for mobile and devices which puts at the client’s disposal a wide range of online banking services. Just by getting connected, BLOM BANK customers can manage their accounts and cards on a real-time, fast and secure basis, along with access to unique features that are constantly updated.

SMS Alert Service

The Bank provides a convenient SMS ALERT service, enabling customers to receive alerts whenever the balance of accounts changes or whenever a transaction is being performed.

Social Media Platforms

The BLOM Retail page on Facebook features constant updates about the latest promotions and the various products and services launched by the bank. The page currently has more than 170,000 fans and is considered one of the most successful pages on Facebook-Lebanon.

BLOM Retail has also established its presence on Twitter in 2013 handling on-the-spot inquiries and customer feedback. The account currently has 1245 followers.

A new channel has also been established on YouTube featuring BLOM BANK’s TVC’s and TV releases.

Public Website

BLOM retail products and services enjoy an independent, user-friendly website where users can make use of simulators and of online applications through: www.blomretail.com.

BLOM BANK developed a friendly, easy-to-use mobile version of the public website compatible with all smartphones in the market.

Mobile Applications

BLOM BANK introduced two new apps available on both iOS and Android, in order to facilitate and help customers out while shopping.

The first app is the BLOM Golden Points/ Miles Mobile App. Downloading this app will help cardholders choose their gifts in an easy and simple way depending on the number of points that they have; the result can be filtered by category, keyword, and merchant.

The second app is the Shop & Save Mobile App, which is exclusively for clients that hold the Beirut Traders Shopping Card. Clients can enjoy an unmatched shopping experience at LeMall or at any participating merchants. Shop & Save Mobile App guides you through the largest network of deals in Lebanon with hundreds of offers for you to choose from. Once you download the application you will receive notifications wherever you are near a participating merchant, and you can also get details and directions to a certain retailor.

11.3.2 Technology

Call Center

The Call Center’s monitoring system has been upgraded for a better examination and control: Fraud Monitor System, ATM Monitor System.

Workflow

BLOM BANK internally developed a workflow system to process most retail loans electronically, thus benefiting from Electronic Archiving, as well as speed in approval and response cycles (e.g.: 1 hour for car loans).

11.4 Islamic Banking

Almost a decade has passed since the issuance by the Central bank of the law governing the establishment of Islamic banks in Lebanon; however Lebanon’s drive towards developing its Islamic finance fell short of expectations. Progress in this industry has continued to be dwarfed by the absence of the required legislations enabling its practitioners to expand and be able to penetrate and gain prominent share in the market. Furthermore the prevailing unstable political situation in the region has continued to affect the overall economy. Dispite that, growth of BLOM DEVELOPMENT BANK (BDB) in assets reached 13% versus 18% in 2013 and growth in deposits reached 15% versus 22% in the year 2013.

During 2014, and as a part of its strategy to enhance its capital base, BDB increased its tier one capital by an additional USD 15 million through the issuance of 2.25 million new shares fully subscribed by its existing shareholders. Furthermore a new branch for BDB was established during July 2014 in Saida city (south Lebanon) the impact of which will be foreseen in the year 2015.

It is worth noting that BDB was recently awarded the title of “Lebanon’s best Islamic financial institution” by Global Finance.

11.5 Insurance Products & Services

Established in 1974, AROPE Insurance is today one of the major players in Lebanon's insurance industry. Since its foundation, AROPE has maintained continuous growth and sustained development, backed by BLOM BANK's solid financial background and its excellent track of good reputation and credibility.

In 2006, AROPE started its geographic expansion to inaugurate the first regional subsidiary, Syria International Insurance S.A. (AROPE Syria). And in 2009, AROPE founded 2 companies in Egypt: AROPE Life Insurance S.A.E. and AROPE Insurance for Properties and Liabilities S.A.E.
Operating in all lines of insurance, AROPE is committed to providing the finest services to its partners and customers while offering comprehensive solutions shaped to satisfy all customers' requirements, and include:

LIFE & PERSONAL ACCIDENT INSURANCE
HEALTHCARE INSURANCE
MOTOR INSURANCE
MARINE INSURANCE
PROPERTY INSURANCE
LIABILITIES INSURANCE
TAKAFUL WINDOW (offered in Lebanon only).

In terms of consolidated results for 2014, and despite the uncertain regional situation, AROPE Lebanon and its Regional Subsidiaries scored USD 112 million of Gross Premiums, Net Profit after Tax of USD 18.5 million, and Shareholders' Equity reaching USD 113 million.

As a pioneer innovator in its field, AROPE launched in August 2014 its Signature Credit Card in collaboration with VISA. AROPE Card comes with a host of outstanding advantages adding a touch of luxury and prestige to the cardholder's lifestyle with unsurpassed exclusive benefits and discounts.

12. Information Systems and Technology

Technology in the banking sector is critical in improving efficiencies, enhancing the customer experience, achieving regulatory compliance and ensuring data security and systems resiliency.
In fact, the continued investments that we are making in digital technologies are a key contributor towards higher efficiency which is driving cost savings, thus contributing towards achieving a cost-to-income ratio (CI ratio) among the lowest when compared to peer players in the banking and financial services industry.

Moreover, as the usage of digital channels grows, customers demand more convenience and self-service facilities from their banks. Hence, we have been constantly developing technology-based innovative products and services in order to achieve convergence in the banking services that we offer through multiple channels thus enhancing the banking experience for our customers while achieving a seamless multi-channel integration and real-time collaboration. As a result, our integrated and consistent services across multiple channels allow our customers to conveniently switch channels anytime during their interaction with the bank. In addition, BLOM BANK has been continuously investing in state-of-the-art data centers, disaster recovery sites and data protection technologies to ensure data security and systems resiliency while also addressing the diverse regulatory requirements facing the banking sector.

To be noted, BLOM BANK always makes sure to offer the most complete portfolio of technology-enabled products and services which is a superset of those offered by banks at the local and regional levels, and this has allowed us to achieve several awards from many renowned institutions for being the "Best Bank in Lebanon" and the "Most Innovative Bank in the Middle East".

12.1 Technology-Driven Innovations

In its constant endeavor to maintain its leadership position within the globally changing banking industry, BLOM BANK has been proactively using powerful information technologies in order to introduce innovative products and services. The following endeavors represent an illustration of the leading-edge technology-driven innovations and deployments that were undertaken in 2014:

Innovative Services through the Cash and Cheque Deposit ATMs

In 2014, we continued to enrich the portfolio of services which are available through our large network of Cash and Cheque Deposit ATMs. In fact and through these Cash and Cheque Deposit ATMs, our customers can deposit cash in multiple currencies, directly into their accounts and the deposited money will be reflected in real-time onto the account's balance. Moreover, customers can also perform deposit-based transactions such as paying bills, settling loans and other fees.

In addition, and since these ATMs provide the cardholder with the possibility to deposit cheques in a convenient way, we have developed the ATM Instant Cheque Cashing service which is the first of its kind service and allows our customers to cash their cheques, in pseudo real-time, as soon as they deposit cheques drawn on BLOM BANK at our Cash and Cheque Deposit ATMs instead of waiting for the normal cheque clearing procedure which normally takes 1-2 business days.

Interactive Mobile Banking App

In 2014, we have enriched our Interactive Web Mobile Banking App noting this app offers all the services which are provided by the bank's classic Internet banking service, and provides unique and differentiating features in a sense that it brings the interaction with our Call Center agents to the customer's pocket (i.e. to his mobile phone) by providing him with the possibility to open an interactive chat session with our Call Center agents from within the app and without leaving his banking session while preserving the context of the transaction that is being performed.

Consequenlty, our Interactive Web Mobile Banking App allows our customers to perform their banking transactions from the self-service app and to seamlessly escalate their session to a chat with our Call Center agents from within the app on their smartphone, whenever they require live assistance. Moreover, since the identity of our customers is passed to our Call Center agents via the authenticated chat session, banking transactions can be interactively executed by our clients with the assistance of our Call Center agents.

PayPass Payment Cards

In 2014, we have put in place a new technology for payment cards which consists of a contactless technology based on Near Field Communication (NFC) capabilities and whereby, for POS transactions amounting to less than 50 USD, the customer can simply tap the card and go without the need to swipe the card nor to sign any paper slip.

Portable Customer/Prospect Engagement Touchpoint

As part of our omni-channel support strategy, we have been improving our portable customer/prospect engagement touchpoint which has enabled us to expand the reach of our loan origination workflow systems along with other business processes outside the physical premises of our traditional branches in order to provide our customers or potential customers with a more engaging banking experience and to offer them a welcoming, personal and informative banking experience.

In addition, the portable customer/prospect engagement touchpoint will feature collaboration-based technologies based on structured workflows and un-structured methods such as 2-ways video conferencing/chatting/ phone conferencing/file transfer with any BLOM BANK employee in order to have product specialists at the Head Office available to provide our mobile workforce or our clients/prospects with further assistance thus bridging the distances and bringing BLOM BANK closer to all its customers and prospects.

Private Cloud Services

In 2014, and after adopting server virtualization and consolidation at our data center, we have started benefiting from our private cloud services across BLOM BANK Group.

In addition, we have deployed a Virtual Desktop Infrastructure for the bank's employees in order to separate the desktop environment and associated software applications from the physical client device that is used to access it. Moreover, the Virtual desktop Infrastructure now hosts users' desktop environments on servers located at our data center and accessed over the network, thus allowing users to connect to their assigned desktop sessions while sharing underlying hardware resources such as CPU, memory, networking and storage.

Hence, providing private cloud services within the bank has allowed us to scale up our services way quicker while at the same time cutting costs, saving energy, improving services reliability and increasing end-users productivity. It is also worth mentioning that our private cloud services have helped us in drastically shortening the time needed to set-up ICT services for several banks and entities of BLOM BANK Group, in addition to BLOM BANK Lebanon, such as BLOMINVEST, BDB, BLOM BANK Cyprus, BLOM BANK Jordan, BLOM BANK Qatar and BLOM BANK Iraq in Baghdad and Erbil.

Touch/Alfa Prepaid GSM Lines Instant Recharge

In 2014, we have reinforced our alliance with Touch and Alfa in order to devise a convenient service to our customers which allows them to recharge their Touch/Alfa GSM prepaid lines on a real-time basis from their smartphones via our eBlom Internet/Mobile Banking service.

12.2. Digital Convergence of Digital Banking Channels

In 2014, BLOM BANK continued to enrich its eBlom suite of on-line, real-time, round the clock digital banking services thus providing its customers with a seamless omni-channel banking experience:

eBlom Mobile Banking

A service adapted to mobile phones, smartphones and tablets allowing customers to easily access their accounts and cards with few taps as well as to locate BLOM BANK's nearest ATMs along with maps and directions. The eBlom Mobile Banking service offers almost the same services of our classic eBlom Internet Banking service via an easy to use interface optimized for smartphones and tablets.

eBlom Internet Banking

BLOM BANKs' classic online banking service, winner of the "Best Consumer Internet Bank in Lebanon for 2014" award from "Global Finance", that offers a wide array of services which are continuously expanded and enhanced. To be noted that the access to the eBlom Internet/Mobile banking service is based on the widely recognized two-factors of authentication method and requires the customer to provide his username and password as well as an SMS-based One-Time-Password (OTP) sent to the customer's mobile phone.

BLOM eCASH

The first of its kind payment service in Lebanon and the region providing a Person-to-Person (P2P) service aimed at facilitating money exchange between individuals and which is based on card-less ATM transactions without any kind of involvement with BLOM BANK on the recipient's side.

Allo BLOM

BLOM BANK's phone banking service allowing customers to consult their accounts from any landline or mobile phone.

Intelligent ATMs Network

Intelligent ATM machines deployed all over Lebanon through which users can withdraw money, deposit cash directly into their accounts in multi-currency, deposit cheques with instant cashing capabilities, settle credit card bills, redeem BLOM eCASH, recharge their mobile lines, check their account mini-statement, etc.

SMS Alerts

A real-time alerting system based on delivering SMS to customers' mobile phones to instantly inform them about movements on their accounts or cards and about selected debit transactions effected on their accounts.

Call Center

BLOM BANK's Call Center is available 24-hours a day all year long and is benefiting from continuous enhancements based on CTI and IP telephony to achieve seamless integration with the Bank's CRM application.

Digital Signage Display

A system that enables the bank to broadcast in real-time over large LCD screens deployed at the branches live and updated information covering stock quotes, foreign exchange quotes, news feed, marketing campaigns, new promotions, TV commercials etc.

Lead Referral System

A targeted campaign management and lead referral tool that allows the profiling of customers using a centralized knowledge base and to offer over-the-counter customers new products and services that are tailored to their needs. These custom offerings are presented to customers during their presence at the branch.

12.3. Advanced Electronic Payment Systems

In 2014, BLOM BANK kept on growing its Visa and MasterCard card offerings and enhancing the reliability and effectiveness of its payment systems. BLOM BANK also kept on delving into the point-of-sale acquiring business by expanding the presence of POS machines at merchants across Lebanon and by implementing the dynamic currency conversion functionality on BLOM BANK's POS machines which allows payments to be done in the cards' native currency.

Furthermore, BLOM BANK kept on reaping the benefits of its online card fraud monitoring system capable of sending real-time alerts to the bank's call center agents, thus enabling immediate action and insight as well as reporting and tracking should a fraud pattern be detected. This card fraud monitoring system drastically reduced fraud losses and incidents.

12.4. Enterprise Application Integration (EAI)

During this year, BLOM BANK kept on developing its Service Oriented Architecture (SOA) framework to achieve the highest degree of integration between the different information systems thus enabling a seamless integration and real-time collaboration between channels thus allowing the customers to have a 360° view of their relation with the bank regardless of the channel used. This framework was built around a powerful and flexible workflow engine which allows the bank to manage the complexity, control the quality and limit the cost of business processes throughout their lifecycle, which involves both people and systems in addition to shortening the time to take business decisions and to deliver end products and services to customers.

In addition, this EAI framework was applied to many processes, in particular, the consumer loans processing systems consisting of a loan origination system, a loan assessment system, and a loan granting system. This framework has allowed BLOM BANK to offer an instant loan granting system aimed at instantaneously granting walk-in customers a personal loan specially targeted to their needs. The EAI framework was also applied to many processes, in particular, to automate the processing of incoming checks from the national clearing house.

12.5. Regulatory Compliance

This year, BLOM BANK continued to address compliance requirements through the usage of state-of-the-art systems based on specialized data marts and analytics software aimed at fulfilling regulatory requirements. In addition, BLOM BANK kept on building credit scorecards by integrating to the loan origination workflow a credit scoring system for loans based on advanced scoring models.

Moreover, BLOM BANK has put in place the Information Systems and related controls to allow for the compliance with the U.S. FATCA.

In addition, we have started to put in place, in 2014, the needed Information Systems and related policies and procedures in order to comply with the Payment Card Industry Data Security Standard (PCI DSS) which was created to increase controls around cardholder data while storing, processing and transmitting cardholder data with the purpose of reducing credit card fraud. To be noted that we have lately succeeded in obtaining the PCI Certificate of Compliance at BLOM BANK Jordan against the PCI DSS v.3.0.

12.6. Systems Security & High Availability

BLOM BANK kept on improving its IT Infrastructure reliability and high availability through servers' virtualization and consolidation and enterprise storage consolidation while following the Green IT trend.
Also, BLOM BANK continued investing in state-of-the-art data centers, disaster recovery sites and data protection technologies in order to keep on protecting the bank's assets to assure business continuity. In fact, these facilities would ensure higher availability and protect the bank's information systems and assets from losses in case of an unforeseen disaster and it also accelerates the development of new services to meet the bank's future demands for expansion.

BLOM BANK also kept on raising its employees' awareness by launching Information Security Awareness Campaigns to address and prevent security threats and by pro-actively monitoring systems' activity and implementing advanced preventive and detective controls.

13. People Development

13.1 General Overview

BLOM BANK recognizes that its human capital is its most valuable asset. Through their efforts, its employees continue to maintain and improve the Bank's status as a major player in the regional financial markets.

People at BLOM BANK are treated with the utmost respect in a culture that strives on fairness, ethics, and transparency. Hiring, advancement, compensation, training, and other privileges of employment are handled according to set standards and procedures. BLOM BANK prohibits discrimination of any type, and offers equal opportunities to all its employees without regard to sex, religion, ethnical background, age, or disability.

In turn, employees are expected to comply with various policies concerning safety, information security, fraud, code of conduct, etc. They are also expected to adhere to the highest standards of ethical behavior in terms of confidentiality, professionalism, transparency, integrity, etc.

BLOM BANK continues to pride itself on its employees' high level of education where at the end of 2014, 79.74% of employees held a university degree or higher. Also, the average age of employees was 34.46 years old which is quite young for our industry.

Distribution of BLOM BANK employees across BLOM BANK Group as at December 2014

		Banks and Financial Subsidiaries				Insurance Subsidiaries		Grand Total
		Lebanon	MENA	Gulf	Europe	Lebanon	MENA	
Gender	Male	1,140	1,274	91	86	79	160	2,830
	Female	1,018	466	55	84	137	115	1,875
	Total	**2,158**	**1,740**	**146**	**170**	**216**	**275**	**4,705**
Age	< 25	384	224	20	4	22	118	772
	26-35	1,017	953	59	41	108	109	2,287
	36-45	324	355	32	40	47	37	835
	46-55	258	152	26	51	27	9	523
	56-64	175	56	9	34	12	2	288
	Total	**2,158**	**1,740**	**146**	**170**	**216**	**275**	**4,705**
	Average Age	**35.14**	**32.57**	**38.87**	**45.91**	**36.00**	**30.54**	**34.46**
Level of Education	Graduate Degrees	586	95	27	37	31	1	777
	Professional Certificates	16	11	4	1	-	2	34
	Bachelor Degrees	1,095	1,371	76	80	104	215	2,941
	Technical Certificates	52	135	4	30	32	18	271
	Others	409	128	35	22	49	39	682
	Total	**2,158**	**1,740**	**146**	**170**	**216**	**275**	**4,705**
Functions	Managers and Deputies	235	237	40	45	21	29	607
	Assistants & Supervisors	253	288	17	27	26	25	636
	Employees	1,670	1,215	89	98	169	221	3,462
	Total	**2,158**	**1,740**	**146**	**170**	**216**	**275**	**4,705**
Number of Branches*		**76**	**77**	**5**	**8**	**9**	**80**	**255**
Training Hours		**56,236**	**39,638**	**777**	**1,263**	**3,250**	**38,874**	**136,038**
Number of hired employees		**241**	**247**	**33**	**7**	**22**	**98**	**648**
Number of departed employees		**157**	**205**	**33**	**8**	**11**	**43**	**457**

** As at March 31, 2015*

The process of attracting, developing, and retaining the best employees is supported by BLOM BANK's implementation of effective and efficient policies and procedures. Keeping the Bank highly competitive requires maintaining a talented and motivated labor force that is aware of its rights and duties.

13.2 Policies and Procedures

BLOM BANK recognizes the importance of a talented labor force in keeping the Bank highly competitive. Appropriate policies were implemented so that the creation and development of talent is maintained by attracting, developing, and retaining the best and the brightest employees.

13.2.1 Recruitment

Providing the Bank with the required human capital to meet its operational and strategic goals is a challenging task that we continuously strive to accomplish. To this end, we adopt a strategic approach for recruiting and selecting the right people with the right set of skills at the time they are needed.

The recruitment and selection process at BLOM BANK ensures the employment of the best available and most appropriate staff. The right person is matched to the right job based purely on his/her inherent qualifications disregarding any form of discrimination whilst recognizing equal opportunities for all.

The need for new employees is studied taking into consideration the Bank's expansion and growing business needs. Managers identify positions early on to allow for timely recruitment, and applicants are interviewed by the recruitment officers and the line managers, and for high level positions by the General Manager. The potential employees are reference checked and screened by the Group Compliance Division, and the final decision for employment is made by a Human Resources Committee.

BLOM BANK focuses on recruiting fresh talents, allowing for promotions and growth from within, and ensuring long term employee retention. For a wider candidate pool, different sources are exploited, including current BLOM BANK employees, interns, the internal database, on-line recruitment systems, job fairs, university career centers, and other external recruitment partners.

In 2014, the various units of BLOM BANK Group recruited a total of 648 employees to support the expansion of the Bank across the region, to upkeep its increasing business needs, and to replace departing and retiring employees. The majority of the new recruits were in the MENA region (53.24%), followed by Lebanon (40.59%), the Gulf region (5.09%), and Europe (1.08%).

New Recruits and Turnover Rates of BLOM BANK Group units operating in various geographic regions in 2014

	New Recruits				Total
	Lebanon	MENA	Gulf	Europe	
Banks and Financial Subsidiaries	241	247	33	7	**528**
Insurance Subsidiaries	22	98	-	-	**120**
Total	263	345	33	7	**648**

	Turnover Rate				Total
	Lebanon	MENA	Gulf	Europe	
Banks and Financial Subsidiaries	7.41	11.98	22.37	4.71	**9.72**
Insurance Subsidiaries	5.23	17.37	-	-	**11.79**
BLOM BANK Group					**9.93**

13.2.2 Training

BLOM BANK considers training essential to ensure a competent workforce that is able to adapt to the constantly evolving business environment. We invest in different types of in-house and external trainings, locally and abroad, that cover a wide range of topics: Banking Operations, Finance, Islamic Finance, Credit Analysis, Investment Banking, Compliance and AML, Risk Management, Marketing, Sales, Leadership, Management, Information Technology, Languages, etc.

The Training Needs Assessment (TNA) is performed by the Human Resources Division in collaboration with the line managers during the last quarter of each year, and the training plan for the coming year is set accordingly and updated continuously. It is worth noting that technical in-house seminars are usually developed and delivered by field experts from BLOM BANK. Other soft skills' development seminars or workshops are delivered by professional trainers from local and international training firms, and are tailored to meet the Bank's needs.

BLOM BANK Group delivered 136,038 training hours in 2014, amounting to an average of 28.91 training hours per employee.

	Hours of Training				Total
	Lebanon	MENA	Gulf	Europe	
Banks and Financial Subsidiaries	56,236	39,638	777	1,263	**97,914**
Insurance Subsidiaries	3,250	38,874	-	-	**38,124**
Total	59,486	74,512	777	1,263	**136,038**

13.2.3 Career Development and Promotion

BLOM BANK's strategy of recruiting fresh graduates and promoting from within means that Career Development is one of the Bank's key success factors. Working to fulfill employee ambitions is a powerful motivator and retention tool that gives the bank a competitive edge in attracting talent.

For that purpose, BLOM BANK follows a clearly defined grading system that properly links the job functions to the employees taking on the roles. Promotions are processed based on the job's evolution and higher competency requirements as well as on the employee's individual performance within the job. The annual performance appraisal is a prerequisite to employee promotions, bonuses, salary increases, development, etc.

In addition to the individual development programs that are personalized for high potential employees, the Management Training Program (MTP) is designed to provide the Bank with the needed talent and gives the officers chosen for it the opportunity to branch out through serving on cross-functional teams and completing several short-term assignments, also giving them the opportunity to gain in-depth knowledge of the banking sector as a whole. The selection of candidates for this program follows a very rigorous and transparent process where the immediate supervisors, line managers, and the Human Resources Division are all involved to ensure that the best performers with the highest potential are selected from the pool of aspiring, productive, and motivated employees.

BLOM BANK realizes that its employees will not be with the organization indefinitely, and many positions within the Bank are critical and should only be filled by the best qualified persons. An internal pool of potentials and high performers is identified and their succession plans are set to train and prepare them for leadership positions that match their qualifications.

BLOM BANK also recognizes the importance of higher education and many employees' aspirations in pursuing higher education degrees and certifications, and sponsors employees' tuitions.
Inductions, rotations, and orientation trainings are also developed for new employees and for employees who are taking on new roles.

13.2.4 Employee Benefits

BLOM BANK is aware of the significance of investing in its employees and keeping them motivated. In addition to investing in their training and education, the Bank ensures employees' access to a variety of benefits and facilities such as special interest rates, medical coverage, guaranteed eligibility for preferred medical coverage upon retirement, profit sharing, special allowances, etc.

Because we strongly believe that the Bank's value lies in its human capital, we keep our people at the leading edge of their professions to better serve our customers.

14. Bank's Operational Efficiency

In 2014, BLOM BANK Group's operational efficiency remained at a high level. Net profit per branch and average asset per branch decreased by 11.4% and 14.3% respectively, at the time when the number of branches/ insurance point of sales expanded by 20.8%.

BLOM BANK Group's Operational Efficiency Indicators

	2014	2013
Number of Branches	**256**	**212**
Average Assets per Branch (USD)	**109,275,956**	**123,342,700**
Net Profit per Branch (USD)	**1,424,903**	**1,662,443**

HAPPINESS

16,684 HOUSING LOANS

“ I will never forget the happiness I felt stepping in my first new home. It was everything I dreamed of and more. ”

16,684 lebanese families benefited from our housing loan in the past 10 years.

Consolidated Financial Statements
31 December 2014

BLOM BANK s.a.l. CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Building a better working world

Ernst & Young p.c.c.
Commerce & Finance Building
1st Floor, Kantari, Beirut
P.O. Box: 11-1639, Riad el Solh
Beirut - 1107 2090, Lebanon

Tel: +961 1 760 800
Fax: +961 1 760 822/3
beirut@lb.ey.com
ey.com/mena
C.R. 61

SEMAAN, GHOLAM & CO.

Semaan, Gholam & Co.
Gholam Building, Sioufi Street
Beirut
P.O.Box: 11-0558, Riad el Solh
Beirut - 1107 2050, Lebanon

Tel: (01) 323676
Fax: (01) 204142
siman@inco.com.lb
C.R. 90

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BLOM BANK SAL

We have audited the accompanying consolidated financial statements of BLOM Bank SAL (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated income statement, consolidated statement of 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 Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

Ernst & Young

20 March 2015
Beirut, Lebanon

Semaan, Gholam & Co.

Consolidated Income Statement
For the year ended 31 December 2014

LL Million	Notes	2014	2013
Interest and similar income	7	2,165,229	2,015,256
Interest and similar expense	8	(1,313,692)	(1,218,898)
Net interest income		**851,537**	**796,358**
Fee and commission income		259,624	222,905
Fee and commission expense		(42,422)	(38,618)
Net fee and commission income	9	**217,202**	**184,287**
Net gain from financial instruments at fair value through profit or loss	10	101,157	136,946
Net gain from derecogniton of financial assets at amortized cost	11	40,441	70,277
Revenue from financial assets at fair value through other comprehensive income	25	1,460	290
Other operating income	12	18,770	18,215
Total operating income		**1,230,567**	**1,206,373**
Net credit losses	13	(62,207)	(106,541)
Write-back of provision on other financial assets		-	1,317
Net operating income		**1,168,360**	**1,101,149**
Personnel expenses	14	(288,284)	(264,108)
Other operating expenses	15	(169,273)	(151,044)
Depreciation of property and equipment	26	(31,057)	(30,227)
Amortization of intangible assets	27	(1,609)	(1,681)
Total operating expenses		**(490,223)**	**(447,060)**
Operating profit		**678,137**	**654,089**
Net gain on disposal of fixed assets		558	256
Profit before tax		**678,695**	**654,345**
Income tax expense	16	(128,796)	(123,045)
Profit for the year		**549,899**	**531,300**
Attributable to:			
Equity holders of the parent		532,859	520,763
Non-controlling interests		17,040	10,537
		549,899	**531,300**
Basic/diluted earnings per share attributable to equity holders of the parent for the year	17	LL **2,416**	LL **2,377**

The accompanying notes 1 to 52 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2014

LL Million	2014	2013
Profit for the year	**549,899**	**531,300**
Other comprehensive loss to be reclassified to consolidated income statement in subsequent periods:		
Exchange differences on translation of foreign operations	(51,376)	(94,751)
Other comprehensive gain not to be reclassified to consolidated income statement in subsequent periods:		
Net unrealized gain from financial assets at fair value through other comprehensive income	498	406
Other comprehensive loss for the year	**(50,878)**	**(94,345)**
Total comprehensive income for the year	**499,021**	**436,955**
Attributable to:		
Equity holders of the parent	**494,232**	**458,671**
Non-controlling interests	**4,789**	**(21,716)**
	499,021	**436,955**

The accompanying notes 1 to 52 form part of these consolidated financial statements.

Consolidated Statement of Financial Position
At 31 December 2014

LL Million	Notes	2014	2013
Assets			
Cash and balances with central banks	18	13,150,549	9,847,077
Due from banks and financial institutions	19	4,574,988	4,423,450
Loans to banks and financial institutions	20	95,288	103,758
Derivative financial instruments	21	109,234	62,611
Financial assets at fair value through profit or loss	22	792,580	944,261
Net loans and advances to customers at amortized cost	23	10,383,611	9,536,401
Net loans and advances to related parties at amortized cost	46	32,679	28,422
Debtors by acceptances		141,170	88,202
Financial assets at amortized cost	24	12,035,929	13,613,542
Financial assets at fair value through other comprehensive income	25	7,305	6,450
Property and equipment	26	619,625	536,036
Intangible assets	27	2,490	2,941
Assets obtained in settlement of debt	28	19,889	23,514
Other assets	29	154,227	148,596
Goodwill	30	52,214	53,833
Total assets		**42,171,778**	**39,419,094**
Liabilities and equity			
Liabilities			
Due to central banks	31	384,895	108,590
Repurchase agreements	31	-	36,396
Due to banks and financial institutions	32	641,301	786,036
Derivative financial instruments	21	92,621	71,340
Financial liabilities at fair value through profit or loss	33	-	3,032
Customers' deposits at amortized cost	34	35,998,926	33,873,830
Deposits from related parties at amortized cost	46	189,913	151,042
Engagements by acceptances		141,170	88,202
Other liabilities	35	772,496	618,869
Provisions for risks and charges	36	147,378	140,911
Total liabilities		**38,368,700**	**35,878,248**
Equity			
Share capital - common shares	37	258,000	258,000
Share capital - preferred shares	37	24,000	24,000
Share premium on common shares	37	374,059	374,059
Share premium on preferred shares	37	277,500	277,500
Non distributable reserves	38	922,217	812,269
Distributable reserves	39	488,109	449,463
Treasury shares	40	(165,020)	(87,199)
Retained earnings	41	1,115,464	917,522
Revaluation reserve of real estate	42	14,727	14,727
Change in fair value of financial assets at fair value through other comprehensive income	43	498	-
Foreign currency translation reserve		(138,560)	(99,095)
Profit for the year		532,859	520,763
Equity attributable to equity holders of parent		**3,703,853**	**3,462,009**
Non-controlling interests		99,225	78,837
Total equity		**3,803,078**	**3,540,846**
Total liabilities and equity		**42,171,778**	**39,419,094**

The consolidated financial statements were authorized for issue in accordance with a resolution of the board of directors on 20 March 2015 by:

Saad Azhari	**Habib Rahal**	**Talal Baba**
Chairman and General Manager	**General Manager**	**Chief Financial Officer**

The accompanying notes 1 to 52 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
For the year ended 31 December 2014

	Attributable to equity holders of the parent						
LL Million	Share capital-common shares	Share capital-preferred shares	Share premium on common shares	Share premium on preferred shares	Non distributable reserves	Distributable reserves	Treasury shares
Balance at 1 January 2014	258,000	24,000	374,059	277,500	812,269	449,463	(87,199)
Profit for the year	-	-	-	-	-	-	-
Other comprehensive loss	-	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Appropriation of 2013 profits	-	-	-	-	104,976	38,642	-
Dividends distributions (note 45)	-	-	-	-	-	-	-
Adjustments related to change in ownership in subsidiaries	-	-	-	-	1	4	-
Purchase of treasury shares (note 40)	-	-	-	-	-	-	(130,757)
Sale of treasury shares (note 40)	-	-	-	-	-	-	52,936
Net gain on sale of treasury shares (note 40)	-	-	-	-	4,971	-	-
Non-controlling interest share in capital increase of a subsidiary company	-	-	-	-	-	-	-
Non-controlling interest from dividends distributions in a subsidiary company	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-
Balance at 31 December 2014	**258,000**	**24,000**	**374,059**	**277,500**	**922,217**	**488,109**	**(165,020)**

The accompanying notes 1 to 52 form part of these consolidated financial statements.

2014							
Retained earnings	Revaluation reserves of real estate	Change in fair value of financial assets at fair value through other comprehensive income	Foreign currency translation reserve	Profit for the year	Total	Non-controlling interests	Total equity
917,522	14,727	-	(99,095)	520,763	3,462,009	78,837	3,540,846
-	-	-	-	532,859	532,859	17,040	549,899
-	-	498	(39,125)	-	(38,627)	(12,251)	(50,878)
-	**-**	**498**	**(39,125)**	**532,859**	**494,232**	**4,789**	**499,021**
198,517	-	-	-	(342,135)	-	-	-
-	-	-	-	(178,630)	(178,630)	-	(178,630)
(3)	-		-	2	4	(9)	(5)
-	-	-	-	-	(130,757)	-	(130,757)
-	-	-	-	-	52,936	-	52,936
-	-	-	-	-	4,971	-	4,971
-	-	-	-	-	-	16,076	16,076
-	-	-	-	-	-	(87)	(87)
(572)	-	-	(340)	-	(912)	(381)	(1,293)
1,115,464	**14,727**	**498**	**(138,560)**	**532,859**	**3,703,853**	**99,225**	**3,803,078**

Consolidated Statement of Changes in Equity
For the year ended 31 December 2013

	Attributable to equity holders of the parent						
LL Million	Share capital-common shares	Share capital-preferred shares	Share premium on common shares	Share premium on preferred shares	Non distributable reserves	Distributable reserves	Treasury shares
Balance at 1 January 2013	258,000	24,000	374,059	277,500	709,310	395,042	(67,302)
Profit for the year	-	-	-	-	-	-	-
Other comprehensive loss	-	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Appropriation of 2012 profits	-	-	-	-	101,781	54,404	-
Dividends distributions (note 45)	-	-	-	-	-	-	-
Adjustments related to change in ownership in subsidiaries	-	-	-	-	2	17	-
Purchase of treasury shares (note 40)	-	-	-	-	-	-	(41,152)
Sale of treasury shares (note 40)	-	-	-	-	-	-	21,255
Net gain on sale of treasury shares (note 40)	-	-	-	-	1,176	-	-
Non-controlling interest share in capital increase of a subsidiary company	-	-	-	-	-	-	-
Adjustment relating to prior years	-	-	-	-	-	-	-
Balance at 31 December 2013	**258,000**	**24,000**	**374,059**	**277,500**	**812,269**	**449,463**	**(87,199)**

The accompanying notes 1 to 52 form part of these consolidated financial statements.

2013							
Retained earnings	Revaluation reserves of real estate	Change in fair value of financial assets at fair value through other comprehensive income	Foreign currency translation reserve	Profit for the year	Total	Non-controlling interests	Total equity
745,955	14,727	(406)	(36,597)	501,210	3,195,498	93,510	3,289,008
-	-	-	-	520,763	520,763	10,537	531,300
-	-	406	(62,498)	-	(62,092)	(32,253)	(94,345)
-	**-**	**406**	**(62,498)**	**520,763**	**458,671**	**(21,716)**	**436,955**
181,676	-	-	-	(337,861)	-	-	-
-	-	-	-	(163,357)	(163,357)	-	(163,357)
(27)	-	-	-	8	-	(32)	(32)
-	-	-	-	-	(41,152)	-	(41,152)
-	-	-	-	-	21,255	-	21,255
-	-	-	-	-	1,176	-	1,176
-	-	-	-	-	-	7,235	7,235
(10,082)	-	-	-	-	(10,082)	(160)	(10,242)
917,522	**14,727**	**-**	**(99,095)**	**520,763**	**3,462,009**	**78,837**	**3,540,846**

Consolidated Statement of Cash Flows
At 31 December 2014

LL Million	Notes	2014	2013
Operating Activities			
Profit for the year before income tax		678,695	654,345
Adjustments for:			
Depreciation of property and equipment	26	31,057	30,227
Amortization of intangible assets	27	1,609	1,681
Gain on disposal of property and equipment		(558)	(256)
Provision for loans and advances to customers, net	13	62,207	106,541
Provision for impairment of assets obtained in settlement of debt	28	1,749	331
Write-back of provision on other financial assets	24&29	-	(1,317)
Provision (Write back) for placements with other banks	19	537	(4,466)
Net provision for risks and charges		55,731	65,874
Loss on disposal of assets obtained in settlement of debt		149	149
Net gain from sale of financial assets at amortized cost	11	(40,441)	(70,277)
Unrealized fair value gains on financial assets at fair value through profit or loss	10	(21,890)	(45,190)
Adjustment relating to prior years		(912)	(10,082)
		767,933	**727,560**
Changes in operating assets and liabilities:			
Balances with central banks		(2,726,106)	(2,028,865)
Due from banks and financial institutions		(357,807)	928,199
Loans to banks and financial institutions		8,470	10,852
Derivative financial instruments – debit		(46,623)	(25,529)
Financial assets at fair value through profit or loss		173,571	(51,704)
Net loans and advances to customers at amortized cost		(909,417)	(572,655)
Net loans and advances to related parties at amortized cost		(4,257)	(12,225)
Other assets		(5,631)	82
Due to banks and financial institutions		27,194	(16,663)
Derivative financial instruments – credit		21,281	18,846
Financial liabilities at fair value through profit or loss		(3,032)	(19,021)
Customers' deposits at amortized cost		2,125,096	1,223,999
Deposits from related parties at amortized cost		38,871	(26,334)
Other liabilities		153,171	(1,215)
Cash (used in) from operations		(737,286)	155,327
Taxes paid		(124,852)	(95,191)
Provisions for risks and charges paid		(45,594)	(32,228)
Net cash (used in) from operating activities		**(907,732)**	**27,908**
Investing Activities			
Financial assets at amortized cost		1,618,054	765,600
Financial assets at fair value through other comprehensive income		(357)	(86)
Assets obtained in settlement of debt		1,074	1,237
Purchase of property and equipment	26	(146,175)	(119,860)
Purchase of intangible assets	27	(1,218)	(1,041)
Transfer of property and equipment and intangible assets	26&27	16,758	-
Cash proceeds from the sale of property and equipment and intangible assets		3,315	14,533
Acquisition of a subsidiary		(5)	(986)
Net cash from investing activities		**1,491,446**	**659,397**
Financing Activities			
Purchase of treasury shares, net		(77,821)	(19,897)
Net gain on sale of treasury shares		4,971	1,176
Non-controlling interests		15,608	7,075
Dividends paid	45	(178,630)	(163,357)
Net cash used in financing activities		**(235,872)**	**(175,003)**
Effect of exchange rate changes		**(44,188)**	**(64,385)**
Increase in cash and cash equivalents		**303,654**	**447,917**
Cash and cash equivalents at 1 January		5,567,941	5,120,024
Cash and cash equivalents at 31 December	44	**5,871,595**	**5,567,941**
Operational cash flows from interest and dividends			
Interest paid		(1,310,943)	(1,202,426)
Interest received		2,186,724	2,030,380
Dividends received		5,888	1,717

The accompanying notes 1 to 52 form part of these consolidated financial statements.

1. Corporate Information

BLOM BANK SAL (the "Bank"), a Lebanese joint stock company, was incorporated in 1951 and registered under No 2464 at the commercial registry of Beirut and under No 14 on the banks' list published by the Central Bank of Lebanon. The Bank's head office is located in Verdun, Rashid Karameh Street, Beirut, Lebanon. The Bank's shares are listed on the Beirut Stock Exchange and Luxembourg Stock Exchange.

The Bank, together with its affiliated banks and subsidiaries (collectively "the Group"), provides a wide range of retail, commercial, investment and private banking activities, insurance and brokerage services through its headquarter as well as its branches in Lebanon and its presence in Europe, the Middle East and North Africa.

Further information on the Group's structure is provided in note 4.

2. Accounting Policies

2.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis except for: a) the restatement of certain tangible real estate properties in Lebanon according to the provisions of law No 282 dated 30 December 1993, and b) the measurement at fair value of derivative financial instruments, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial liabilities at fair value through profit or loss.

The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

The consolidated financial statements are presented in Lebanese Pounds (LL) and all values are rounded to the nearest LL million, except when otherwise indicated.

Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB), and the regulations of the Central Bank of Lebanon and the Banking Control Commission ("BCC").

Presentation of the consolidated financial statements
The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within one year after the statement of financial position date (current) and more than 1 year after the statement of financial position date (non-current) is presented in the notes.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore the related assets and liabilities are presented gross in the consolidated statement of financial position. Income and expense will not be offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent 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 derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3 Changes in accounting policies and disclosures

New and amended standards and interpretations
The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2014.

The nature and the impact of each new standard and amendment is described below:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements* and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required.

IFRIC 21 Levies
IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21.

Annual Improvements 2010-2012 Cycle
In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 *Fair Value Measurement*. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

Annual Improvements 2011-2013 Cycle
In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards.* The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements.

The adoption of the above amendments did not have a significant impact on the Group's financial position or performance.

2.4 Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 14 Regulatory Deferral Accounts
IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the consolidated income statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014.

Annual improvements 2010-2012 Cycle
These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

IFRS 2 Share-based Payment
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 Operating Segments
The amendments are applied retrospectively and clarifies that:
- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual improvements 2011-2013 Cycle
These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:
- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

IFRS 13 Fair Value Measurement
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 Investment Property
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

2.5 Summary of significant accounting policies

Foreign currency translation

The consolidated financial statements are presented in Lebanese Lira which is the Bank's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the date of the statement of financial position. All differences are taken to "Net gain from financial instruments designated at fair value through profit or loss" in the consolidated income statement.

(i) Transactions and balances (continued)
Non–monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non–monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

(ii) Group companies
On consolidation, the assets and liabilities of subsidiaries and overseas branches are translated into the Bank's presentation currency at the rate of exchange as at the reporting date, and their income statements are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

Financial instruments – classification and measurement

(i) Date of recognition
All financial assets and liabilities are initially recognized on the trade date, i.e. the date that the Group becomes a party to the contractual provisions of the instrument. This includes "regular way trades": purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(ii) Classification and measurement of financial instruments

a. Financial assets
The classification of financial assets depends on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs. Assets are subsequently measured at amortized cost or fair value.

An entity may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different basis. An entity is required to disclose such financial assets separately from those mandatorily measured at fair value.

Financial assets at amortized cost

Debt instruments are subsequently measured at amortized cost less any impairment loss (except for debt instruments that are designated at fair value through profit or loss upon initial recognition) if they meet the following two conditions:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributed to the acquisition are also included in the cost of investment. After initial measurement, these financial assets are measured at amortized cost using the effective interest rate method (EIR), less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortization is included in "Interest and similar income" in the consolidated income statement. The losses arising from impairment are recognized in the consolidated income statement in "Impairment losses on other financial assets".

Although the objective of an entity's business model may be to hold financial assets in order to collect contractual cash flows, the entity need not hold all of those instruments until maturity. Thus an entity's business model can be to hold financial assets to collect contractual cash flows even when sales of financial assets occur. However, if more than an infrequent number of sales are made out of a portfolio, the entity needs to assess whether and how such sales are consistent with an objective of collecting contractual cash flows. If the objective of the entity's business model for managing those financial assets changes, the entity is required to reclassify financial assets.

Gains and losses arising from the derecognition of financial assets measured at amortized cost are reflected under "Net gain from derecognition of financial assets at amortized cost" in the consolidated income statement.

Balances with central banks, due from banks and financial institutions, loans to banks and financial institutions and net loans and advances to customers and related parties – at amortized cost

After initial measurement, "Balances with central banks", "Due from banks and financial institutions", "Loans to banks and financial institutions" and "Net loans and advances to customers and related parties" are subsequently measured at amortized cost using the EIR method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest and similar income' in the consolidated income statement. The losses arising from impairment are recognized in the consolidated income statement in "Net credit losses".

Financial assets at fair value through profit or loss

Included in this category are those debt instruments that do not meet the conditions in *"Financial assets at amortized cost"* above, debt instruments designated at fair value through profit or loss upon initial recognition and equity instruments at fair value through profit or loss.

Debt instruments at fair value through profit or loss

These financial assets are recorded in the consolidated statement of financial position at fair value. Changes in fair value and interest income are recorded under "Net gain from financial instruments at fair value through profit or loss" in the consolidated income statement showing separately, those related to financial assets designated at fair value upon initial recognition from those mandatorily measured at fair value.

Gains and losses arising from the derecognition of debt instruments at fair value through profit or loss are also reflected under "Net gain from financial instruments at fair value through profit or loss" in the consolidated income statement showing separately, those related to financial assets designated at fair value upon initial recognition from those mandatorily measured at fair value.

Equity instruments at fair value through profit or loss

Investments in equity instruments are classified at fair value through profit or loss, unless the Group designates at initial recognition an investment that is not held for trading as at fair value through other comprehensive income.

These financial assets are recorded in the consolidated statement of financial position at fair value. Changes in fair value and dividend income are recorded under "Net gain from financial instruments at fair value through profit or loss" in the consolidated income statement.

Gains and losses arising from the derecognition of equity instruments at fair value through profit or loss are also reflected under "Net gain from financial instruments at fair value through profit or loss" in the consolidated income statement.

Financial assets at fair value through other comprehensive income

Investments in equity instruments designated at initial recognition as not held for trading are classified at fair value through other comprehensive income.

These financial assets are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated under equity. The cumulative gain or loss will not be reclassified to the consolidated income statement on disposal of the investments.

Dividends on these investments are recognized under "Revenue from financial assets at fair value through other comprehensive income" in the consolidated income statement when the entity's right to receive payment of dividend is established in accordance with IAS 18: "Revenue", unless the dividends clearly represent a recovery of part of the cost of the investment.

b. Financial liabilities

Liabilities are initially measured at fair value plus, in the case of a financial liability not at fair value through profit or loss, particular transaction costs. Liabilities are subsequently measured at amortised cost or fair value.

The Group classifies all financial liabilities as subsequently measured at amortised cost using the effective interest method, except for:

- financial liabilities at fair value through profit or loss (including derivatives);
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
- financial guarantee contracts and commitments to provide a loan at a below-market interest rate which after initial recognition are subsequently measured at the higher of the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

Fair value option

The Group may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when:

- doing so results in more relevant information, because it either eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or
- a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

The amount of changes in fair value of a financial liability designated at fair value through profit or loss at initial recognition that is attributable to changes in credit risk of that liability is recognized in other comprehensive income, unless such recognition would create an accounting mismatch in the consolidated income statement. Changes in fair value attributable to changes in credit risk are not reclassified to consolidated income statement.

As at 31 December 2014, financial liabilities designated at fair value through profit or loss by the Group consist of certain customers' deposits. Financial liabilities designated at amortized cost consist of due to central banks, repurchase agreements, due to banks and financial institutions, and customers' and related parties' deposits.

Due to central banks, repurchase agreements, due to banks and financial institutions, customers' deposits and related parties deposits

After initial measurement, due to central banks, repurchase agreements, due to banks and financial institutions, customers' and related parties' deposits are measured at amortised cost less amounts repaid using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate method.

c. Derivatives recorded at fair value through profit or loss

The Group uses derivatives such as futures, currency swaps, forward foreign exchange contracts and equity swaps and options.

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are recognised in "Net gain from financial instruments at fair value through profit or loss" in the consolidated income statement.

An embedded derivative shall be separated from the host and accounted for as a derivative if, and only if:

(a) the hybrid contract contains a host that is not an asset within the scope of IFRS 9

(b) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host

(c) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

(d) the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss

(iii) Day 1 profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognizes the difference between the transaction price and fair value (a "Day 1" profit or loss) in the consolidated income statement. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated income statement when the inputs become observable, or when the instrument is derecognized.

(iv) Reclassification of financial assets

The Group reclassifies financial assets if the objective of the business model for managing those financial assets changes. Such changes are expected to be very infrequent. Such changes are determined by the Group's senior management as a result of external or internal changes when significant to the Group's operations and demonstrable to external parties.

If financial assets are reclassified, the reclassification is applied prospectively from the reclassification date, which is the first day of the first reporting period following the change in business model that results in the reclassification of financial assets. Any previously recognised gains, losses or interest are not restated.

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

Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either:

(a) The Group has transferred substantially all the risks and rewards of the asset, or
(b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(ii) Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in the consolidated income statement.

Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the consolidated statement of financial position as the Group retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the consolidated statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within "repurchase agreements", reflecting the transaction's economic substances as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the EIR. When the counterparty has the right to sell or repledge the securities, the Group reclassifies those securities in its consolidated statement of financial position to "Financial assets given as collateral" as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the consolidated statement of financial position. The consideration paid, including accrued interest is recorded in the consolidated statement of financial position within "Cash collateral on securities borrowed and reverse purchase agreements", reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in "Net interest income" and is accrued over the life of the agreement using the EIR.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within "Financial liabilities at fair value through profit or loss" and measured at fair value with any gains or losses included in "Net gain from financial instruments at fair value through profit or loss" in the consolidated income statement.

Fair value measurement

The Group measures financial instruments, such as, derivatives, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, at fair value at each consolidated statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the notes.

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 consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value 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 recognised in the consolidated 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.

The Group's management determines the policies and procedures for recurring fair value measurement, such as unquoted financial assets.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

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.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to "Net credit losses" in the consolidated income statement.

(ii) Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

(iii) Collateral repossessed

The Group occasionally acquires properties in settlement of loans and advances. Upon initial recognition, those assets are measured at fair value as approved by the regulatory authorities. Subsequently these properties are measured at the lower of carrying value or net realizable value.

Upon sale of repossessed assets, any gain or loss realized is recognized in the consolidated income statement under "Other operating income" or "Other operating expenses". Gains resulting from the sale of repossessed assets are transferred to "Reserves for capital increase" in the following financial year.

Hedge accounting

The Group makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions and firm commitments. In order to manage particular risks, the Group applies hedge accounting for transactions which meet the specified criteria.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item, both at inception and at each quarter end on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125% and are expected to achieve such offset in future periods. Hedge ineffectiveness is recognized in the consolidated income statement in "Net gain from financial instruments at fair value through profit or loss". For situations where that hedged item is a forecast transaction, the Group also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated income statement.

(i) Fair value hedges

For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognised in the consolidated income statement. Meanwhile, the change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in "Net gain from financial instruments at fair value through profit or loss" in the consolidated income statement.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is discontinued prospectively. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective interest rate (EIR method). If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated income statement.

(ii) Cash flow hedges

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in equity in the "Cash flow hedge" reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the consolidated income statement.

When the forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in the other comprehensive income are removed from the reserve and included in the initial cost of the asset or liability.

When the hedged cash flow affects the consolidated income statement, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the consolidated income statement. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement.

(iii) Hedge of a net investment

Hedges of net investments in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in the consolidated income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the consolidated income statement.

Leasing

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Interest and similar income and expense

For all financial instruments measured at amortized cost, interest income or expense is recorded using the EIR method, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in the carrying amount is recorded as “Interest and similar income” for financial assets and “Interest and similar expense” for financial liabilities.

Once the recorded value of a financial asset on a group of similar financial assets has been reduced due to an impairment loss, interest income continue to be recognized using the rate of interest used to discount the future cash flows of the purpose of measuring the impairment loss.

(ii) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the EIR on the loan. When it is unlikely that a loan be drawn down, the loan commitment fees are recognized over the commitment period on a straight line basis.

Fee income from providing transaction services

Fee arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fee or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

Fee and commission income from providing insurance services

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognized as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognized over those future periods.

(iii) Dividend income

Dividend income is recognised when the right to receive the payment is established.

(iv) Net gain from financial instruments at fair value through profit or loss

Results arising from financial assets at fair value through profit or loss include all gains and losses from changes in fair value and related income or expense and dividends for financial assets at fair value through profit or loss. This includes any ineffectiveness recorded in hedging transactions. This caption also includes the results arising from trading activities including all gains and losses from changes in fair value and related income or expense and dividends for financial assets held for trading.

(v) Insurance revenue

For the insurance subsidiaries, net premiums and accessories (gross premiums) are taken to income over the terms of the policies to which they relate using the prorate temporise method for non-marine business and 25% of gross premiums for marine business. Unearned premiums reserve represents the portion of the gross premiums written relating to the unexpired period of coverage.

If the unearned premiums reserve is not considered adequate to cover future claims arising on these premiums a premium deficiency reserve is created.

Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprise balances with original maturities of a period of three months or less including: cash and balances with the central banks, deposits with banks and financial institutions, due to central banks and due to banks and financial institutions.

Property and equipment

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated income statement as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate and treated as changes in accounting estimates.

Depreciation is calculated using the straight line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

Buildings	50 years
Furniture, office installations and computer equipment	(2–16.67) years
Vehicles	6.67 years

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in “Net gain on disposal of fixed assets” in the year the asset is derecognized.

The asset’s residual lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively if applicable.

Assets obtained in settlement of debt

Assets obtained in settlement of debt are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measures the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated income statement.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 *Financial Instruments: Recognition and Measurement,* is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible assets

An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite of indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

• Key money	lower of lease period or 5 years
• Software development	2.5 years

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

The Group does not have intangible assets with indefinite economic life.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognized in the consolidated income statement.

Impairment losses relating to goodwill cannot be reversed in future periods.

Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the consolidated financial statements (within "Other liabilities") at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less, when appropriate, cumulative amortization recognised in the consolidated income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to financial guarantees is recorded in the consolidated income statement in "Net credit losses". The premium received is recognised in the consolidated income statement on a straight line basis over the life of the guarantee in "Net fees and commission income".

Provisions for risks and charges

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

Employees' end-of-service benefits

For the Group and its subsidiaries operating in Lebanon, end-of-service benefit subscriptions paid and due to the National Social Security Fund (NSSF) are calculated on the basis of 8.5% of the staff salaries. The final end-of-service benefits due to employees after completing 20 years of service, at the retirement age, or if the employee permanently leaves employment, are calculated based on the last salary multiplied by the number of years of service. The Group is liable to pay to the NSSF the difference between the subscriptions paid and the final end-of-service benefits due to employees. The Group provides for end-of-service benefits on that basis.

End-of-service benefits for employees at foreign branches and subsidiaries are accrued for in accordance with the laws and regulations of the respective countries in which the branches and subsidiaries are located.

Taxes

Taxes are provided for in accordance with regulations and laws that are effective in the countries where the Group operates.

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each consolidated statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the consolidated statement of financial position date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Treasury shares

Own equity instruments of the Group which are acquired by it or by any of its subsidiaries (treasury shares) are deducted from equity and accounted for at weighted average cost. Consideration paid or received on the purchase sale, issue or cancellation of the Group's own equity instruments is recognized directly in equity. No gain or loss is recognized in the consolidated income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

When the Group holds own equity instruments on behalf of its clients, those holdings are not included in the Group's consolidated statement of financial position.

Contracts on own shares that require physical settlement of a fixed number of own shares for a fixed consideration are classified as equity and added to or deducted from equity. Contracts on own shares that require net cash settlement or provide a choice of settlement are classified as trading instruments and changes in the fair value are reported in the consolidated income statement.

Assets held in custody and under administration

The Group provides custody and administration services that result in the holding or investing of assets on behalf of its clients. Assets held in custody or under administration, are not treated as assets of the Group and accordingly are recorded as off financial position items.

Dividends on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

Customers' acceptances

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

Segment reporting
The Group's segmental reporting is based on the following operating segments: retail banking; corporate banking; treasury, money and capital markets; and asset management and private banking.

3. Significant Accounting Estimates and Judgments

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

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

Business model
In making an assessment whether a business model's objective is to hold assets in order to collect contractual cash flows, the Group considers at which level of its business activities such assessment should be made.

Generally, a business model is a matter of fact which can be evidenced by the way business is managed and the information provided to management. However, in some circumstances it may not be clear whether a particular activity involves one business model with some infrequent asset sales or whether the anticipated sales indicate that there are two different business models.

In determining whether its business model for managing financial assets is to hold assets in order to collect contractual cash flows the Group considers:
- management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- how management evaluates the performance of the portfolio;
- whether management's strategy focuses on earning contractual interest revenues;
- the degree of frequency of any expected asset sales;
- the reason for any asset sales; and
- whether assets that are sold are held for an extended period of time relative to their contractual maturity.

Contractual cash flows of financial assets

The Group exercises judgment in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding and so may qualify for amortised cost measurement. In making the assessment the Group considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

Consolidation of entities in which the Group holds less than majority of voting rights

The Group considers that it controls Bank of Syria and Overseas SA even though it owns less than 50% of the voting rights (31 December 2013: 49% ownership). This is because the Group obtained control on 1 January 2004, by virtue of agreement with other investors, over Bank of Syria and Overseas SA, and consequently, the financial statements of Bank of Syria and Overseas SA have been consolidated with those of the Group.

In its meeting held on 5 May 2010, the Bank's board of directors approved the increase of ownership in Bank of Syria and Overseas SA up to 60% as follows:

- At a first stage, increase the ownership from 39% to 49% by acquiring International Finance Corporation's (IFC) shares (720,000 shares) in Bank of Syria and Overseas SA.
- The remaining 11% increase to reach 60% will be performed at a later stage through acquisition from the market.

The Group considers also that it controls Syria International Insurance (Arope Syria) SA and Syria and Overseas Company for Financial Services even though it owns less than 50% of the voting rights in each entity. This is because the Group obtained control, by virtue of agreement with other investors, over Syria International Insurance (Arope Syria) SA on 1 January 2006 and because, Syria and Overseas Company for Financial Services is 52% owned by Bank of Syria and Overseas SA. Consequently, the financial statements of these two entities have been consolidated with those of the Group.

Estimates and assumptions

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, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Impairment losses on loans and advances

The Group reviews its individually significant loans and advances at each consolidated statement of financial position date to assess whether an impairment loss should be recorded in the consolidated income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group makes judgments about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as credit quality, levels of arrears, credit utilization, loan to collateral ratios etc.), concentrations of risks and economic date (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

Deferred tax assets

Deferred tax assets are recognized in respect to tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

4. Group Information

The consolidated financial statements of the Group comprise the financial statements of BLOM BANK SAL and the following subsidiaries:

Name	Country of incorporation	Activities	% effective equity interest	
			31 December 2014 %	31 December 2013 %
BLOM Bank France SA	France	Banking activities	99.998	99.998
BLOM Bank (Switzerland) SA	Switzerland	Banking activities	99.998	99.998
BLOMInvest Bank SAL	Lebanon	Banking activities	99.925	99.925
BLOM Development Bank SAL	Lebanon	Islamic banking activities	99.921	99.900
Bank of Syria and Overseas SA	Syria	Banking activities	49.000	49.000
Arope Insurance SAL	Lebanon	Insurance activities	88.979	88.973
Syria International Insurance (Arope Syria) SA	Syria	Insurance activities	42.703	42.701
BLOM Bank Egypt SAE	Egypt	Banking activities	99.419	99.419
BLOM Egypt Securities SAE	Egypt	Brokerage activities	99.644	99.644
BLOMInvest – Saudi Arabia	Saudi Arabia	Financial institution	59.963	59.963
BLOM Bank Qatar LLC	Qatar	Banking activities	99.750	99.750
Arope Life Insurance Egypt SAE	Egypt	Insurance activities	91.068	91.063
Arope Insurance of Properties and Responsibilities Egypt SAE	Egypt	Insurance activities	93.156	93.152
Syria and Overseas Company for Financial Services	Syria	Brokerage activities	48.962	48.962
BLOM Securities	Jordan	Financial institution	100.000	100.000

5. Material Partly - Owned Subsidiaries

Financial information of subsidiaries that have material non-controlling interests are provided below:

Proportion of equity interests held by non-controlling interests:

(%)	2014	2013
Bank of Syria and Overseas SA	**51.000**	51.000
BlomInvest – Saudi Arabia	**40.037**	40.037
Arope Insurance SAL	**11.021**	11.027

Accumulated balances of material non-controlling interests:

LL Million	2014	2013
Bank of Syria and Overseas SA	**29,757**	30,425
BlomInvest – Saudi Arabia	**42,773**	23,002
Arope Insurance SAL	**17,492**	14,886

Profit allocated to material non-controlling interests:

LL Million	2014	2013
Bank of Syria and Overseas SA	**9,058**	930
BlomInvest – Saudi Arabia	**4,109**	6,207
Arope Insurance SAL	**2,614**	2,549

Other comprehensive loss allocated to material non-controlling interests:

LL Million	2014	2013
Bank of Syria and Overseas SA	**(9,725)**	(25,360)
BlomInvest – Saudi Arabia	**(25)**	(1)
Arope Insurance SAL	**-**	-

The summarized financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations:

Summarized statement of comprehensive income

LL Million	Bank of Syria and Overseas SA		BLOMInvest – Saudi Arabia		Arope Insurance SAL	
	2014	2013	2014	2013	2014	2013
Net interest income	7,289	11,578	536	605	13,065	10,532
Net fee and commission income	5,246	6,406	13,312	6,335	34,134	30,460
Net gain from financial instruments at fair value through profit or loss	20,721	29,498	3,805	11,835	885	974
Net gain from derecogniton of financial assets at amortized cost	-	638	68	-	-	-
Other operating income	36	256	-	3,015	800	3,545
Total operating income	**33,292**	**48,376**	**17,721**	**21,790**	**48,884**	**45,511**
Net credit losses	(1,535)	(32,552)	-	-	(743)	(651)
Write-back of provision on other financial assets	-	328	-	-	-	-
Total operating expenses	(13,997)	(14,328)	(6,496)	(5,854)	(22,390)	(19,670)
Net gain (loss) on disposal of other assets	-	(1)	1	-	2	-
Profit before tax	**17,760**	**1,823**	**11,226**	**15,936**	**25,753**	**25,190**
Income tax expense	-	-	(964)	(432)	(2,035)	(2,071)
Profit for the year	**17,760**	**1,823**	**10,262**	**15,504**	**23,718**	**23,119**
Attributable to non-controlling interests	9,058	930	4,109	6,207	2,614	2,549

Summarized statement of financial position

LL Million	Bank of Syria and Overseas SA 2014	Bank of Syria and Overseas SA 2013	BLOMInvest – Saudi Arabia 2014	BLOMInvest – Saudi Arabia 2013	Arope Insurance SAL 2014	Arope Insurance SAL 2013
ASSETS						
Cash and balances with banks	155,936	145,178	-	1	61	33
Due from banks and financial institutions	318,242	353,764	41,999	21,524	305,632	283,373
Due from head office and sister banks	236,601	299,774	-	688	20,426	16,758
Financial assets at fair value through profit or loss	-	-	75,384	63,463	8,279	7,206
Net loans and advances at amortized cost	53,038	101,084	-	-	20,226	18,309
Financial assets at amortized cost	12,249	30,654	9,646	14,590	18,677	8,560
Investments in subsidiaries and associates	1,570	2,163	-	-	46,651	46,651
Property and equipment	15,489	21,288	11,138	798	23,082	22,886
Intangible assets	387	587	62	12	-	-
Other assets	8,157	8,799	13,197	16,947	66,019	69,091
TOTAL ASSETS	**801,669**	**963,291**	**151,426**	**118,023**	**509,053**	**472,867**
LIABILITIES						
Due to banks and financial institutions	3,352	2,201	-	-	-	-
Due to head office and sister banks	167,551	220,353	1,036	16,448	-	-
Customers' deposits at amortized cost	545,683	654,961	-	-	-	-
Deposits from related parties at amortized cost	4,879	6,546	-	-	-	-
Engagements by acceptances	-	-	-	-	-	-
Other liabilities	5,825	6,764	43,156	43,824	307,722	295,894
Provisions for risks and charges	16,031	12,810	309	261	42,614	41,974
TOTAL LIABILITIES	**743,321**	**903,635**	**44,501**	**60,533**	**350,336**	**337,868**
TOTAL SHAREHOLDERS' EQUITY	**58,348**	**59,656**	**106,925**	**57,490**	**158,717**	**134,999**
Attributable to non-controlling interests	29,757	30,425	42,773	23,002	17,492	14,886
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**801,669**	**963,291**	**151,426**	**118,023**	**509,053**	**472,867**

Summarized cash flow information

LL Million	Bank of Syria and Overseas SA 2014	Bank of Syria and Overseas SA 2013	BLOMInvest – Saudi Arabia 2014	BLOMInvest – Saudi Arabia 2013	Arope Insurance SAL 2014	Arope Insurance SAL 2013
Operating	(85,506)	(141,214)	(9,217)	(5,014)	20,710	26,650
Investing	23,103	170,119	(5,585)	(68)	(11,820)	(16,048)
Financing	-	-	40,200	18,089	-	-
	(62,403)	**28,905**	**25,398**	**13,007**	**8,890**	**10,602**

6. Segmental Information

The Group operates in four major business segments: retail; corporate; treasury, money and capital markets; and asset management and private banking.

Retail Banking
Provides a diversified range of products and services to meet the personal banking and consumer finance needs of individuals. The range includes deposits, housing loans, consumer loans, credit cards, funds transfers, foreign exchange and other branch related services.

Corporate Banking
Provides a comprehensive product and service offering to corporate and institutional customers, including loans and other credit facilities, deposits and current accounts, trade finance and foreign exchange operations.

Treasury, money and capital markets
Is mostly responsible for the liquidity management and market risk of the Group as well as managing the Group’s own portfolio of stocks, bonds and other financial instruments. In addition, this segment provides treasury and investments products and services to investors and other institutional customers.

Asset management and private banking
Provides investment products and services to institutional investors and intermediaries.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements. Income taxes, personnel expenses, other operating expenses and net gain on disposal of fixed assets are managed on a group basis and are not allocated to operating segments.

Interest income is reported net since the majority of the segments’ revenues are from interest. Management primarily relies on net interest revenue as performance measure, not the gross revenue and expense amounts.

Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

The following table presents net operating income, profit and total assets and liabilities information in respect of the Group's operating segments:

Profit for the year information

LL Million	2014					
	Treasury, money and capital markets	Corporate banking	Retail banking	Asset management and private banking	Unallocated*	Total
Net interest income	469,945	163,110	216,294	2,188	-	851,537
Net fee and commission income	36,545	38,484	66,869	51,970	23,334	217,202
Net gain from financial instruments at fair value through profit or loss	71,927	-	29,230	-	-	101,157
Net gain from derecognition of financial assets at amortized cost	40,441	-		-	-	40,441
Revenue from financial assets at fair value through other comprehensive income	1,460	-	-	-	-	1,460
Other operating income	-	720	18,050	-	-	18,770
Net credit losses	(537)	(29,242)	(32,428)	-	-	(62,207)
Net operating income	**619,781**	**173,072**	**298,015**	**54,158**	**23,334**	**1,168,360**
Extracts of results						
Depreciation and amortization						(32,666)
Segment loss						
Unallocated income						558
Unallocated expenses						(457,557)
Income tax expense						(128,796)
Profit for the year						**549,899**

(*) "Unallocated" include insurance premiums' commissions from insurance subsidiaries.

LL Million	2013					
	Treasury, money and capital markets	Corporate banking	Retail banking	Asset management and private banking	Unallocated*	Total
Net interest income	447,116	163,053	183,514	2,675	-	796,358
Net fee and commission income	36,479	41,554	53,614	35,405	17,235	184,287
Net gain from financial instruments at fair value through profit or loss	102,952	-	33,994	-	-	136,946
Net gain from derecognition of financial assets at amortized cost	70,277	-	-	-	-	70,277
Revenue from financial assets at fair value through other comprehensive income	290	-	-	-	-	290
Other operating income	-	-	18,215	-	-	18,215
Net credit losses	4,466	(82,639)	(28,368)	-	-	(106,541)
Write-back of provision on other financial assets	1,317	-	-	-	-	1,317
Net operating income	**662,897**	**121,968**	**260,969**	**38,080**	**17,235**	**1,101,149**
Extracts of results						
Depreciation and amortization						(31,908)
Segment loss						
Unallocated income						256
Unallocated expenses						(415,152)
Income tax expense						(123,045)
Profit for the year						**531,300**

(*) "Unallocated" include insurance premiums' commissions from insurance subsidiaries.

Financial position information

LL Million	2014					
	Treasury, money and capital markets	Corporate banking	Retail banking	Asset management and private banking	Other**	Total
Total assets	30,765,873	6,345,189	4,050,424	163,114	847,178	**42,171,778**
Total liabilities	27,880,386	5,750,083	3,670,541	170,673	897,017	**38,368,700**

LL Million	2013					
	Treasury, money and capital markets	Corporate banking	Retail banking	Asset management and private banking	Other**	Total
Total assets	29,001,149	5,894,459	3,639,623	118,943	764,920	**39,419,094**
Total liabilities	26,348,407	5,355,292	3,306,706	108,063	759,780	**35,878,248**

(**) "Other" includes activities related to property and equipment, intangible assets, assets obtained in settlement of debt, components of other assets and goodwill.

Geographic information

The Group operates in two geographic markets based on the location of its markets and customers. The local market represents the Lebanese market, and the international market represents markets outside Lebanon. The following table shows the distribution of the Group's external net operating income and non-current assets.

LL Million	2014		
	Domestic	International	Total
Total operating income	976,652	253,915	1,230,567
Net credit losses	(62,687)	480	(62,207)
Net operating income[1]	**913,965**	**254,395**	**1,168,360**
Non-current assets[2]	**388,399**	**305,819**	**694,218**

LL Million	2013		
	Domestic	International	Total
Total operating income	952,905	253,468	1,206,373
Net credit losses	(46,021)	(60,520)	(106,541)
Write-back of provision on other financial assets	-	1,317	1,317
Net operating income[1]	**906,884**	**194,265**	**1,101,149**
Non-current assets[2]	**342,311**	**274,013**	**616,324**

[1] Net operating income is attributed to the geographical segment on the basis of the location where the income is generated.
[2] Non-current assets consist of property and equipment, intangible assets, assets obtained in settlement of debt and goodwill.

7. Interest and Similar Income

LL Million	2014	2013
Interest income on debt instruments at amortized cost	889,599	960,427
Deposits and similar accounts with banks and financial institutions	558,380	407,619
Loans and advances to customers at amortized cost	716,138	646,003
Loans and advances to related parties at amortized cost	1,112	1,207
	2,165,229	**2,015,256**

8. Interest and Similar Expense

LL Million	2014	2013
Deposits and similar accounts from banks and financial institutions	14,994	15,026
Deposits from customers and other credit balances	1,289,343	1,195,709
Deposits from related parties at amortized cost	9,355	8,163
	1,313,692	**1,218,898**

9. Net Fee and Commission Income

LL Million	2014	2013
Fee and commission income		
Trade finance	25,814	24,863
Credit related fees and commissions	29,203	31,842
Asset management and private banking	54,098	36,893
Electronic banking	48,309	34,378
General banking income	44,961	41,722
Commission on insurance related activities	38,418	31,842
Trust and fiduciary activities	982	919
Other services	17,839	20,446
	259,624	**222,905**
Fee and commission expense		
Correspondents' accounts	(42,422)	(38,618)
	217,202	**184,287**

10. Net Gain from Financial Instruments at Fair Value through Profit or Loss

LL Million	2014	2013
Interest and similar income from debt instruments and other financial assets at fair value though profit or loss		
Governmental debt securities	9,023	8,971
Corporate debt securities	8,265	11,718
	17,288	20,689
Interest expense on liabilities at fair value through profit or loss	-	(350)
Gain from sale of debt instruments and other financial assets at fair value through profit or loss		
Governmental debt securities	459	314
Corporate debt securities	5,417	860
Funds	449	2,036
	6,325	3,210
Unrealized gain from revaluation of debt instruments and other financial assets at fair value through profit or loss		
Government debt securities	150	(438)
Corporate debt securities	8,036	22,065
Funds	2,038	3,457
	10,224	25,084
Net gain from debt instruments and other financial assets at fair value through profit or loss	**33,837**	**48,633**
Net gain from equity instruments at fair value through profit or loss		
Unrealized gian from revaluation	11,666	20,106
Dividend income	4,428	1,427
Gain from sale	4,509	6,082
Net gain from equity instruments at fair value through profit or loss	20,603	27,615
Foreign exchange	46,717	60,698
	101,157	**136,946**

Foreign exchange income includes gains and losses from spot and forward contracts, other currency derivatives and the revaluation of the daily open trading and structural positions.

11. Net Gain from Derecognition of Financial Assets at Amortized Cost

Derecognition of financial assets at amortized cost were made during the year due to exchange of certificates of deposit by the Lebanese Central Bank, liquidity gap and yield management.

The schedule below details the gains and losses arising from derecognition of these financial assets:

	2014		
LL Million	Gains	(Losses)	Total
Lebanese sovereign and Central Bank of Lebanon			
Certificates of deposit	40,275	(5,050)	35,225
Treasury bills and bonds	5,118	(6)	5,112
	45,393	**(5,056)**	**40,337**
Other sovereign			
Treasury bills and bonds	**104**	**-**	**104**
	45,497	**(5,056)**	**40,441**

	2013		
LL Million	Gains	(Losses)	Total
Lebanese sovereign and Central Bank of Lebanon			
Certificates of deposit	70,232	-	70,232
Treasury bills and bonds	6	-	6
	70,238	**-**	**70,238**
Other sovereign			
Treasury bills and bonds	**39**	**-**	**39**
	70,277	**-**	**70,277**

12. Other Operating Income

LL Million	2014	2013
Net gain from sale of assets obtained in settlement of debt	3	-
Write back of provisions for risks and charges (note 36)	720	4,681
Others	18,047	13,534
	18,770	**18,215**

13. Net Credit Losses

LL Million	2014	2013
Provision for sundry debtors	**-**	**(177)**
Provision for loans and advances		
Commercial loans (note 23)	(94,333)	(117,765)
Consumer loans (note 23)	(43,472)	(38,139)
Provision for doubtful banks (note 19)	(537)	-
Commitment by signature (note 36)	(4,776)	(14,412)
	(143,118)	**(170,316)**
Write-back of provisions for loans and advances		
Commercial loans (note 23)	59,403	26,736
Consumer loans (note 23)	11,044	9,772
Unrealized interest (note 23)	7,025	14,282
Recoveries from loans reflected as off-financial position (note 23)	2,667	8,445
Recoveries from doubtful banks (note 19)	-	4,466
Recoveries from sundry debtors (note 29)	235	251
Recoveries from commitment by signature (note 36)	537	-
	80,911	**63,952**
	(62,207)	**(106,541)**

14. Personnel Expenses

LL Million	2014	2013
Salaries and related charges	140,689	134,370
Social security contributions	27,330	25,029
Provisions for retirement benefits obligation (note 36)	10,800	10,060
Additional allowances	40,937	33,267
Bonuses	68,528	61,382
	288,284	**264,108**

15. Other Operating Expenses

LL Million	2014	2013
Marketing and advertising	13,160	13,931
Professional fees	15,790	16,540
Maintenance and repairs	16,352	15,226
Provision for guarantee of deposits	14,008	13,165
Provision for risks and charges (note 36 (i))	8,751	10,399
Provision on impairment of assets taken in settlement of debt (note 28)	1,749	331
Rent and related charges	11,561	10,011
Postage and telecommunications	10,406	9,765
Stationary and printings	9,557	7,296
Fiscal stamps	6,514	6,254
Electricity and fuel	6,883	6,832
Taxes and fees	8,159	5,093
Travel expenses	4,643	3,954
Board of directors' attendance fees	1,873	1,713
Insurance	1,293	1,250
Others	38,574	29,284
	169,273	**151,044**

16. Income Tax Expense

The tax rates applicable to the parent and subsidiaries vary from 0% to 40% in accordance with the income tax laws of the countries where the Group operates. For the purpose of determining the taxable results of the subsidiaries for the year, the accounting results have been adjusted for tax purposes. Such adjustments include items relating to both income and expense and are based on the current understanding of the existing tax laws and regulations and tax practices.

Reconciliation of total tax charge

The relationship between taxable profit and accounting profit is as follows:

LL Million	2014	2013
Profit before income tax	678,695	654,345
Less: Results of the subsidiary insurance company located in Lebanon(*)	(25,753)	(25,190)
Accounting profit before income tax	**652,942**	**629,155**
Add:		
Provisions non tax deductible	22,608	77,276
Unrealized losses from revaluation of debt instruments and other financial assets at fair value through profit or loss	-	842
Other non tax deductible charges	59,535	52,935
	735,085	**760,208**
Less:		
Unrealized gains from revaluation of debt instruments and other financial assets at fair value through profit or loss	(15,689)	(21,720)
Realized gain from disposal of financial assets at fair value through profit or loss already subject to income tax	(1,660)	(207)
Dividends received and previously subject to income tax	(239)	(319)
Remunerations already taxed	(14,150)	(13,799)
4% of a subsidiary's capital eligible to be tax deductible	(400)	(400)
Unrealized gain on difference of exchange	(17,864)	(26,995)
Write-back of provisions previously subject to income tax	(47,488)	(4,994)
Net gain on disposal of fixed assets	(2,071)	(289)
Non taxable income	(36,798)	(33,327)
Write-back of provision on other financial assets	-	(328)
Taxable profit	**598,726**	**657,830**
Effective income tax rate	18.98%	18.80%
Income tax expense in the consolidated income statement	**128,796**	**123,045**

(*) The insurance company in Lebanon is subject to income tax at the rate of 15% calculated based on gross insurance premiums weighted differently for each class of business.

17. Earnings per Share

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

The following table shows the income and share data used in the basic earnings per share calculations:

		2014	2013
Net profit for the year	LL Million	549,899	531,300
Less: Proposed dividends on preferred shares	LL Million	(21,105)	(21,105)
Non-controlling interests	LL Million	(17,040)	(10,537)
Net profit attributable to ordinary equity holders of the parent	LL Million	**511,754**	**499,658**
Weighted average number of ordinary shares for basic earnings per share		211,781,220	210,170,530
Basic earnings per share	LL	**2,416**	**2,377**

No figure for diluted earnings per share has been presented as the Bank has not issued any instruments which would have an impact on earnings per share when exercised.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of approval of these consolidated financial statements.

18. Cash and Balances with Central Banks

LL Million	2014	2013
Cash on hand	218,933	207,627
Current accounts with Central Banks	1,890,196	1,637,372
Deposits with the Central Banks	11,041,420	8,002,078
	13,150,549	**9,847,077**

Cash and balances with the Central Banks include non-interest bearing balances held by the Group at the Central Bank of Lebanon in coverage of the obligatory reserve requirements for all banks operating in Lebanon on deposits in Lebanese Lira as required by the Lebanese banking rules and regulations. This obligatory reserve is calculated on the basis of 25% of sight commitments and 15% of term commitments, after taking into account certain waivers relating to subsidized loans denominated in Lebanese Lira. This is not applicable for investment banks which are exempted from obligatory reserve requirements on commitments denominated in Lebanese Lira. Accordingly, the obligatory reserve amounted to LL 519,381 million at 31 December 2014 (2013: LL 430,046 million).

In addition to the above, all banks operating in Lebanon are required to deposit with the Central Bank of Lebanon interest-bearing placements at the rate of 15% of total deposits in foreign currencies regardless of nature. These placements amounted to US$ 1,885,681 thousands (equivalent to LL 2,843 billion) as at 31 December 2014 (2013: US$ 1,776,340 thousands equivalent to LL 2,678 billion).

Foreign subsidiaries are also subject to obligatory reserve requirements with varying percentages, according to the banking rules and regulations of the countries in which they are located.

19. Due from Banks and Financial Institutions

LL Million	2014	2013
Current accounts		
Current accounts	**1,151,982**	**1,006,783**
Time deposits		
Time deposits	3,423,006	3,416,667
Doubtful accounts with banks	2,078	1,521
Less: Impairment allowance for doubtful accounts with banks	(1,732)	(1,232)
Less: Unrealized interest for doubtful accounts with banks	(346)	(289)
	3,423,006	**3,416,667**
	4,574,988	**4,423,450**

Movement of impairment allowance and unrealized interest for doubtful accounts with banks is as follows:

LL Million	2014	2013
Balance at 1 January	1,521	20,980
Charge for the year (note 13)	537	-
Provision for unrealized interest	58	-
Recovery of provision (note 13)	-	(4,466)
Provision written off	-	(15,051)
Foreign exchange difference	(38)	58
Balance at 31 December	**2,078**	**1,521**

20. Loans to Banks and Financial Institutions

LL Million	2014	2013
Loans to banks and financial institutions	94,599	103,095
Accrued interest receivable	689	663
Balance at 31 December	**95,288**	**103,758**

21. Derivative Financial Instruments

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are not indicative of neither the market risk nor the credit risk.

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive market value of instruments that are favorable to the Group.

The Group's exposure under derivative contracts is closely monitored as part of the overall management of the Group's market risk.

The Group has positions in the following types of derivatives:

	2014			2013		
LL Million	Assets	Liabilities	Total notional amount	Assets	Liabilities	Total notional amount
Derivatives held-for-trading						
Currency options	77,791	68,488	5,004,388	43,111	48,711	2,034,942
Forward foreign exchange contracts	19,655	17,492	3,941,200	18,121	17,610	3,610,454
Futures on commodities	6,641	6,641	503,240	1,379	1,379	350,158
	104,087	**92,621**	**9,448,828**	**62,611**	**67,700**	**5,995,554**
Derivatives used as fair value hedges						
Currency swaps	-	-	**50,582**	-	-	**47,066**
Hedge of net investment in foreign operations						
Forward foreign exchange contracts	**5,147**	-	**197,882**	-	**3,640**	**223,876**
	109,234	**92,621**	**9,697,292**	**62,611**	**71,340**	**6,266,496**

Options
Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or to sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

Forwards and futures
Forwards and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements.

Derivative financial instruments held-for-trading purposes
Most of the Group's derivative trading activities relate to deals with customers which are normally offset by transactions with other counterparties. Also included under this heading are any derivatives entered into for hedging purposes which do not meet the IAS 39 hedge accounting criteria.

Derivative financial instruments held for hedging purposes
As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to reduce its exposure to credit and market risks.

The Group uses forward foreign exchange contracts to hedge against specifically identified currency risks.

Hedge of net investment in foreign operations
Forward foreign exchange contracts (to sell Euros and buy US Dollars) designated as a hedge of the Group's net investment in its French subsidiary, and is being used to hedge the Group's investment exposure to foreign exchange risk on this investment amounting to Euro 107,904 thousand (2013: same). The notional amount of these contracts amounted to Euro 107,904 thousand (LL 197,882 million) as at 31 December 2014 (2013: LL 223,876 million). The forward foreign exchange contracts were revalued as of 31 December 2014 and resulted in unrealized gain of LL 5,147 million (2013: unrealized loss of LL 3,640 million). The contracts mature on 4 March 2015 at the latest.

22. Financial Assets at Fair Value through Profit or Loss

LL Million	2014	2013
Equity instruments at fair value through profit or loss	153,233	143,096
Debt and other instruments at fair value through profit or loss	639,347	801,165
	792,580	**944,261**

Financial assets at fair value through profit or loss consist of the following:

LL Million	2014	2013
Quoted equity securities at fair value through profit or loss	140,280	131,289
Unquoted equity securities at fair value through profit or loss	12,953	11,807
Quoted government debt securities	2,294	18,535
Unquoted government debt securities	114,158	93,067
Quoted corporate debt securities	434,836	618,987
Unquoted corporate debt securities	1,695	-
Funds	86,364	70,576
	792,580	**944,261**

23. Net Loans and Advances to Customers at Amortized Cost

LL Million	2014	2013
Commercial loans	6,700,829	6,352,129
Consumer loans (*)	4,130,448	3,718,464
	10,831,277	**10,070,593**
Less:		
Individual impairment allowances	(244,916)	(308,618)
Collective impairment allowances	(127,331)	(155,035)
Unrealized interest	(75,419)	(70,539)
	10,383,611	**9,536,401**

(*) Included under consumer loans as at 31 December 2014, an amount of LL 2,308,230 million (31 December 2013: LL 1,980,473 million) representing housing loans.

Movement of unrealized interest on substandard, doubtful, and bad loans during the years ended 31 December was as follows:

	2014	2013
LL Million	Commercial loans	Commercial loans
Balance at 1 January	70,539	56,181
Add:		
Unrealized interest for the year	47,148	37,640
Foreign exchange difference	(1,907)	(5,106)
	115,780	**88,715**
Less:		
Recoveries of unrealized interest (note 13)	(7,025)	(14,282)
Amounts written-off	(7,521)	(758)
Transferred to off-financial position	(25,815)	(3,136)
Balance at 31 December	**75,419**	**70,539**
Unrealized interest on substandard loans	13,302	9,969
Unrealized interest on doubtful loans	62,117	60,570
	75,419	**70,539**

A reconciliation of the allowance for impairment losses for loans and advances, by class, is as follows:

	2014			2013		
LL Million	Commercial loans	Consumer loans	Total	Commercial loans	Consumer loans	Total
Balance at 1 January	380,280	83,373	463,653	309,517	62,890	372,407
Add:						
Charge for the year	94,333	43,472	137,805	117,765	38,139	155,904
Foreign exchange difference	(9,934)	(2,621)	(12,555)	(17,066)	(4,436)	(21,502)
Reclassification	52	(52)	-	(411)	411	-
	464,731	**124,172**	**588,903**	**409,805**	**97,004**	**506,809**
Less:						
Provisions written-off	(2,788)	(258)	(3,046)	(2,329)	(3,859)	(6,188)
Write-back of provisions	(59,403)	(11,044)	(70,447)	(26,736)	(9,772)	(36,508)
Provision transferred to off financial position	(117,474)	(25,689)	(143,163)	(460)	-	(460)
	(179,665)	**(36,991)**	**(216,656)**	**(29,525)**	**(13,631)**	**(43,156)**
Balance at 31 December	**285,066**	**87,181**	**372,247**	**380,280**	**83,373**	**463,653**
Individual impairment	192,962	51,954	244,916	259,375	49,243	308,618
Collective impairment	92,104	35,227	127,331	120,905	34,130	155,035
	285,066	**87,181**	**372,247**	**380,280**	**83,373**	**463,653**
Gross amount of loans individually determined to be impaired	**406,507**	**75,758**	**482,265**	**393,249**	**100,953**	**494,202**

In accordance with the Banking Control Commission Circular No. 240, bad loans and related provisions and unrealized interest which fulfill certain requirements have been transferred to off financial position accounts. The gross balance of these loans amounted to LL 294,551 million as of 31 December 2014 (2013: LL 119,806 million).

The fair value of collateral that the Group holds relating to loans and advances to corporate customers individually determined to be impaired amounts to LL 351,873 million as of 31 December 2014 (LL 257,011 million as of 31 December 2013). The collateral consists of cash, securities, letters of guarantee and properties.

The movement of allowance for impairment losses and allowance for unrealized interest against fully impaired loans included in the off financial position accounts is as follows:

LL Million	2014	2013
Balance at 1 January	119,806	137,300
Add:		
Unrealized interest for the year	9,797	9,954
Provision and unrealized interest transferred from the statement of financial position	168,978	3,596
	298,581	**150,850**
Less:		
Provisions written-back (note 13)	(2,667)	(8,445)
Amounts written-off	(40)	(18,938)
Foreign exchange difference	(1,323)	(3,661)
	(4,030)	**(31,044)**
Balance at 31 December	**294,551**	**119,806**

24. Financial Assets at Amortized Cost

LL Million	2014	2013
Quoted		
Government debt securities	2,438,324	2,596,656
Corporate debt securities	971,315	842,741
	3,409,639	**3,439,397**
Unquoted		
Government debt securities	5,690,727	4,882,190
Corporate debt securities	83,926	95,715
Certificates of deposit – Central Banks	2,360,242	4,780,317
Certificates of deposit – Commercial banks and financial institutions	491,395	415,923
	8,626,290	**10,174,145**
	12,035,929	**13,613,542**

The movement in the impairment allowances during the year was as follows:

LL Million	2014	2013
Balance at 1 January	608	937
Write back during the year	-	(329)
Balance at 31 December	**608**	**608**

25. Financial Assets at Fair Value through other Comprehensive Income

LL Million	2014	2013
Equity securities	3,579	3,609
Funds	3,726	2,841
	7,305	**6,450**

The table below details the financial assets at fair value through other comprehensive income as at 31 December:

	2014			2013		
LL Million	Carrying amount	Cumulative fair value changes	Dividend income	Carrying amount	Cumulative fair value changes	Dividend income
Equity securities	3,579	18	1,407	3,609	4	273
Funds	3,726	1,162	53	2,841	678	17
	7,305	**1,180**	**1,460**	**6,450**	**682**	**290**

Dividend income amounted to 1,460 million for the year ended 31 December 2014 (2013: LL 290 million) and resulted from equity instruments and funds held at year end (2013: same).

26. Property and Equipment

LL Million	Freehold land and buildings	Vehicles	Furniture, office installations and computer equipment	Advances on acquisition of fixed assets and construction in progress	Total
Cost					
At 1 January 2014	402,099	6,164	281,335	88,467	778,065
Additions	26,242	2,204	23,557	94,172	146,175
Disposals	(2,638)	(1,387)	(7,439)	-	(11,464)
Transfers	20,295	118	18,116	(55,421)	(16,892)
Translation difference	(10,819)	(105)	(6,216)	(1,527)	(18,667)
At 31 December 2014	**435,179**	**6,994**	**309,353**	**125,691**	**877,217**
Depreciation					
At 1 January 2014	62,476	4,048	175,505	-	242,029
Charge for the year	8,759	1,049	21,249	-	31,057
Relating to disposals	(1,046)	(1,385)	(6,276)	-	(8,707)
Translation difference	(1,798)	(78)	(4,911)	-	(6,787)
At 31 December 2014	**68,391**	**3,634**	**185,567**	**-**	**257,592**
Net carrying value					
At 31 December 2014	**366,788**	**3,360**	**123,786**	**125,691**	**619,625**

LL Million	Freehold land and buildings	Vehicles	Furniture, office installations and computer equipment	Advances on acquisition of fixed assets and construction in progress	Total
Cost					
At 1 January 2013	376,629	6,468	272,405	74,945	730,447
Additions	27,298	702	24,258	67,602	119,860
Disposals	(14,159)	(650)	(9,980)	-	(24,789)
Transfers	39,559	27	12,093	(52,034)	(355)
Translation difference	(27,228)	(383)	(17,441)	(2,046)	(47,098)
At 31 December 2013	**402,099**	**6,164**	**281,335**	**88,467**	**778,065**
Depreciation					
At 1 January 2013	58,152	3,885	176,318	-	238,355
Charge for the year	7,884	1,077	21,266	-	30,227
Relating to disposals	-	(647)	(9,865)	-	(10,512)
Translation difference	(3,560)	(267)	(12,214)	-	(16,041)
At 31 December 2013	**62,476**	**4,048**	**175,505**	**-**	**242,029**
Net carrying value					
At 31 December 2013	**339,623**	**2,116**	**105,830**	**88,467**	**536,036**

Certain freehold land and buildings purchased prior to 1 January 1999 were restated in previous years for the changes in the general purchasing power of the Lebanese Lira giving rise to a net surplus amounting to LL 14,727 million, which was credited to equity under "revaluation reserve of real estate".

27. Intangible Assets

LL Million	Software development	Key money	Advances on acquisition of intangible assets	Total
Cost				
At 1 January 2014	14,467	4,849	22	19,338
Additions	1,120	-	98	1,218
Transfers	190	-	(56)	134
Translation difference	(555)	(510)	(3)	(1,068)
At 31 December 2014	**15,222**	**4,339**	**61**	**19,622**
Amortization				
At 1 January 2014	12,360	4,037	-	16,397
Charge for the year	1,515	94	-	1,609
Translation difference	(508)	(366)	-	(874)
At 31 December 2014	**13,367**	**3,765**	**-**	**17,132**
Net carrying value				
At 31 December 2014	**1,855**	**574**	**61**	**2,490**

LL Million	Software development	Key money	Advances on acquisition of intangible assets	Total
Cost				
At 1 January 2013	13,779	5,311	29	19,119
Additions	735	266	40	1,041
Transfers	355	-	-	355
Translation difference	(402)	(728)	(47)	(1,177)
At 31 December 2013	**14,467**	**4,849**	**22**	**19,338**
Amortization				
At 1 January 2013	11,046	4,208	-	15,254
Charge for the year	1,631	50	-	1,681
Translation difference	(317)	(221)	-	(538)
At 31 December 2013	**12,360**	**4,037**	**-**	**16,397**
Net carrying value				
At 31 December 2013	**2,107**	**812**	**22**	**2,941**

28. Assets Obtained in Settlement of Debts

LL Million	2014	2013
Cost		
At 1 January	26,630	30,252
Additions	2,631	633
Disposals	(3,854)	(2,019)
Translation difference	(653)	(2,236)
At 31 December	**24,754**	**26,630**
Impairment		
At 1 January	(3,116)	(2,785)
Charge for the year (note 15)	(1,749)	(331)
At 31 December	**(4,865)**	**(3,116)**
Net carrying value		
At 31 December	**19,889**	**23,514**

29. Other Assets

LL Million	2014	2013
Reinsurer's share of technical reserves	43,206	45,483
Prepaid expenses	19,942	19,187
Compulsory deposits (i)	13,074	13,651
Sundry debtors (ii)	21,311	10,694
Other revenues to be collected	4,432	5,020
Customers' transactions between head office and branches	6,336	3,143
Precious metals and stamps	1,181	1,047
Other assets	44,745	50,371
	154,227	**148,596**

(i) Compulsory deposits represent amounts deposited with local authorities based on local regulations of the countries in which the subsidiaries are located, and are detailed as follows:

LL Million	2014	2013
BLOMInvest SAL	1,500	1,500
Bank of Syria and Overseas SA	6,918	7,534
BLOM Development Bank SAL	4,500	4,500
BLOM Bank France	102	63
BLOM Securities	54	54
	13,074	**13,651**

(ii) Sundry debtors

LL Million	2014	2013
Sundry debtors	22,725	12,379
Less: Provision against sundry debtors	(1,414)	(1,685)
	21,311	**10,694**

The movement of provision against sundry debtors is summarized as follows:

LL Million	2014	2013
Balance at 1 January	1,685	2,749
Charge for the year	-	177
Write-back of provision on other assets	-	(988)
Write-back of provisions (note 13)	(235)	(251)
Provision written-off	(36)	-
Translation difference	-	(2)
Balance at 31 December	**1,414**	**1,685**

30. Goodwill

LL Million	2014	2013
Cost		
At 1 January	53,833	60,208
Translation difference	(1,619)	(6,375)
At 31 December	**52,214**	**53,833**

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to groups of cash-generating units, which are also reportable segments, for impairment testing as follows:

LL Million	2014	2013
Corporate and retail banking (BLOM Bank Egypt SAE)	50,233	51,720
Asset management and private banking (BLOM Bank (Switzerland) SA)	1,211	1,342
Financial Services (BLOM Securities)	770	771
	52,214	**53,833**

Key assumptions used in value in use calculations

The recoverable amount of BLOM Bank Egypt SAE has been determined based on a value in use calculation, using cash flow projections based on financial budgets approved by senior management covering a ten-year period. The following rates are used by the Group:

%	2014	2013
Discount rate	15	15
Projected growth rate (average during the first 5 years)	5	5
Projected growth rate beyond the five year period	3	0

The calculation of value in use for BLOM Bank Egypt SAE is most sensitive to the following assumptions:

- Interest margins;
- Discount rates;
- Projected growth rates;
- Gross domestic product of the country where the subsidiary operates; and
- Local inflation rates.

Interest margins
Interest margins are based on average values achieved in the 13 months proceeding of the budget period. These are increased over the budget period for anticipated market conditions.

Discount rates
Discount rates reflect management's estimate of return on capital employed. Discount rates are calculated by using the cost of equity.

Projected growth rates, GDP and local inflation rates
Assumptions are based on management analysis and published industry research.

Sensitivity to changes in assumptions
Management believes that no reasonable possible change in any of the above key assumptions would cause the carrying value of the units to exceed their recoverable amount.

31. Due to Central Banks and Repurchase Agreements

LL Million	2014	2013
Loan due to Central Bank of Lebanon	372,252	104,405
Loan due to Central Bank of Jordan	9,781	3,874
Accrued interest payable	2,862	311
Balance at 31 December	**384,895**	**108,590**

Following the Central Bank of Lebanon Intermediate Circulars No. 313, 318 and 382 issued on 14 January 2013, 28 February 2013 and 10 December 2014 respectively, the Central Bank of Lebanon offered the commercial banks facilities up to a ceiling of LL 5,100 billion to be granted to customers and with a time limit ending on 15 November 2015. Facilities obtained are subject to an interest rate of 1% per annum payable on a monthly basis with the first payment due on 2 January 2014. As of 31 December 2014, the Group obtained facilities amounting to LL 372,252 million (31 December 2013: LL 104,405 million).

On 8 December 2013, the Group signed a repurchase agreement through its branch in Jordan with the Central Bank of Jordan whereas the Bank will sell and repurchase treasury bills amounting to JOD (000) 17,100 (equivalent to LL 36,415 million) on 5 January 2014. The net amount received by the Group from the repurchase agreement amounted to JOD (000) 17,050 (equivalent to LL 36,310 million) after the deduction of accrued interest calculated based on an interest rate of 3.75%. Accrued interest on the repurchase agreement amounted to JOD (000) 40 (equivalent to LL 86 million) for the year ended 31 December 2013.

32. Due to Banks and Financial Institutions

LL Million	2014	2013
Current accounts	386,288	376,362
Time deposits	255,013	409,674
	641,301	**786,036**

33. Financial Liabilities at Fair Value through Profit or Loss

LL Million	2014	2013
Customers' time deposits	**-**	**3,032**

At 31 December 2014, the derivative contracts' fair value related to customers' deposits at fair value through profit or loss was nil (2013: same).

34. Customers' Deposits at Amortized Cost

LL Million	2014	2013
Customers' deposits at amortized cost		
Sight deposits	5,127,319	4,857,223
Time deposits	16,703,605	15,760,403
Saving accounts	12,162,748	11,499,052
Credit accounts and deposits against debit accounts	1,960,704	1,726,914
Margins on letters of credit	44,550	30,238
	35,998,926	**33,873,830**

Customers' deposits include coded deposit accounts in BLOM Bank SAL and BLOMInvest Bank SAL amounting to LL 66,563 million as of 31 December 2014 (2013: LL 86,353 million).

35. Other Liabilities

LL Million	2014	2013
Unearned premiums and liability related to insurance contracts	297,857	283,264
Sundry creditors	213,311	104,174
Current tax liabilities	75,654	75,198
Accrued expenses	57,933	62,470
Transactions pending between branches	77,393	48,950
Complementary taxes due related to a subsidiary bank (i)	27,222	22,231
Other taxes due	17,064	16,359
Dividends payable	331	377
Other liabilities	5,731	5,846
	772,496	**618,869**

(i) Complementary taxes due related to BLOM Bank Egypt SAE represent mainly accruals for additional complementary taxes resulting from inspection by tax authorities.

36. Provisions for Risks and Charges

LL Million	2014	2013
Provision for risks and charges (i)	26,290	25,871
Provision for outstanding claims and IBNR reserves related to subsidiary- insurance companies	40,150	44,298
Retirement benefits obligation (ii)	65,930	58,700
Provision on commitment by signature (iii)	13,853	10,985
Other provisions	1,155	1,057
	147,378	**140,911**

(i) Provisions for risks and charges

LL Million	2014	2013
Balance at 1 January	25,871	22,812
Charge for the year (note 15)	8,751	10,399
Provisions paid during the year	(6,502)	(67)
Provisions written-back during the year (note 12)	(720)	(4,681)
Recoveries	(6)	(1,456)
Exchange difference	(1,104)	(1,136)
Balance at 31 December	**26,290**	**25,871**

(ii) Retirement benefits obligation

LL Million	2014	2013
Balance at 1 January	58,700	52,997
Charge for the year (note 14)	10,800	10,060
Benefits paid	(3,548)	(3,426)
Exchange difference	(22)	(931)
Balance at 31 December	**65,930**	**58,700**

(iii) Provision on commitment by signature

LL Million	2014	2013
Balance at 1 January	10,985	-
Charge for the year (note 13)	4,776	14,412
Provisions written-back during the year (note 13)	(537)	-
Provisions written-off	-	(2,847)
Exchange difference	(1,371)	(580)
Balance at 31 December	**13,853**	**10,985**

37. Share Capital and Premiums

	2014		2013	
LL Million	Share capital	Share premium	Share capital	Share premium
Common shares – Authorized, issued and fully paid				
215,000,000 shares at LL 1,200 per share as of 31 December 2014 (31 December 2013: the same)	**258,000**	**374,059**	**258,000**	**374,059**

LL Million	2014 Share capital	2014 Share premium	2013 Share capital	2013 Share premium
Preferred shares – Authorized, issued and fully paid				
20,000,000 preferred shares (2011 issue) at LL 1,200 per share as of 31 December 2014 (31 December 2013: the same)	**24,000**	**277,500**	**24,000**	**277,500**

According to the provisions of Law no 308 dated 3 April 2001, the Extraordinary General Assembly Meeting of Shareholders held on 4 April 2011, resolved to issue preferred shares at the following conditions:

	2011 issue
Number of shares	20,000,000
Par value of issued shares (LL 1,200 share)	LL 24,000 million
Premium (denominated in USD)	LL 277,500 million (USD 184,080 thousands)
Non cumulative benefits	2011 distributions to be based on a fixed amount of USD 0.7 per share (subject to the approval of the Shareholders' General Assembly Meeting and the availability of a non-consolidated distributable net income for the year).

These preferred shares are redeemable 60 days after the annual general assembly dealing with the accounts for the year 2016 at the discretion of the Bank at the issue price.

All of the Bank's common and preferred shares are listed in the Beirut Stock Exchange starting 20 June 2008. Out of the total common shares, 73,896,010 shares are listed as Global Depository Receipts (GDRs) in the Luxembourg Stock Exchange.

38. Non Distributable Reserves

LL Million	Reserve for general banking risks	Legal reserve	Reserve for increase of share capital	Other reserves	Total
At 1 January 2013	251,572	341,194	58,324	58,220	709,310
Appropriation of 2012 profits	53,874	46,572	1,233	102	101,781
Adjustments related to change in ownership in subsidiaries	-	2	-	-	2
Net gain on sale of treasury shares	-	-	1,176	-	1,176
At 31 December 2013	**305,446**	**387,768**	**60,733**	**58,322**	**812,269**
Appropriation of 2013 profits	48,503	48,429	7,996	48	104,976
Adjustments related to change in ownership in subsidiaries	-	1	-	-	1
Net gain on sale of treasury shares	-	-	4,971	-	4,971
At 31 December 2014	**353,949**	**436,198**	**73,700**	**58,370**	**922,217**

Reserves for general banking risks

According to the Central Bank of Lebanon regulations, banks in Lebanon are required to appropriate from their annual net profit a minimum of 0.2 percent and a maximum of 0.3 percent of total risk weighted assets and off statement of financial position items based on rates specified by the Central Bank of Lebanon to cover general banking risks. The consolidated ratio should not be less than 1.25 percent of these risks at the end of year ten (2017) and 2 percent at the end of year twenty (2027). This reserve is part of the Group's equity and cannot be distributed as dividends.

The appropriation in 2014 from the profits of the year 2013 amounted to LL 48,503 million (2013: LL 53,874 million).

Legal reserve

According to the Lebanese Code of Commerce and to the Money and Credit Act, banks and companies operating in Lebanon have to transfer 10% of their annual net profit to a legal reserve. In addition, subsidiaries and branches are also subject to legal reserve requirements based on the rules and regulations of the countries in which they operate. This reserve cannot be distributed as dividends.

During 2014, the Group appropriated LL 48,429 million from 2013 profits to the legal reserve in accordance with the General Assembly of Shareholders' resolution (2013: LL 46,572 million).

Reserve for increase of share capital

The balance amounting to LL 73,700 million (2013: LL 60,733 million) represents a regulatory reserve pursuant to circular no. 167, dated 24 January 1994, issued by the Banking Control Commission. This reserve cannot be distributed as dividends.

Details of the reserve for increase of share capital are as follows:

LL Million	2014	2013
Recoveries of provisions for doubtful debts	49,941	41,945
Revaluation reserves for fixed assets sold	668	668
Gain on sale of treasury shares	22,989	18,018
Transfer from other reserves	102	102
	73,700	**60,733**

Other reserves

Other reserves consist of non-distributable reserves of subsidiaries appropriated from retained earnings as required by the laws applicable in the countries in which they operate. During 2014, the Group transferred an amount of LL 48 million from retained earnings to other reserves (2013: LL 102 million).

39. Distributable Reserves

LL Million	2014	2013
General reserves	**488,109**	**449,463**

General reserves

The Group appropriates general reserves from its retained earnings to strengthen its equity. This reserve amounting to LL 488,109 million (2013: LL 449,463 million) is available for dividend distribution.

40. Treasury Shares

Movement of treasury shares recognized in the consolidated statement of financial position is as follows:

	2014	
	No. of common shares	Amount LL Million
At 1 January	7,121,166	87,199
Purchase of treasury shares	9,816,619	130,757
Sale of treasury shares	(4,298,281)	(52,936)
At 31 December	**12,639,504**	**165,020**

	2013	
	No. of common shares	Amount LL Million
At 1 January	5,646,917	67,302
Purchase of treasury shares	3,253,121	41,152
Sale of treasury shares	(1,778,872)	(21,255)
At 31 December	**7,121,166**	**87,199**

The treasury shares represent 3,861,253 Global Depositary Receipts (GDR) and 8,778,251 ordinary shares owned by the Group as at 31 December 2014 (2013: 5,543,769 Global Depository Receipts (GDR) and 1,577,397 ordinary shares). The market value of one GDR and one ordinary share were USD 9.8 and USD 8.8 respectively as of 31 December 2014 (2013: USD 8.8 and USD 8.25 respectively).

The Group realized a gain of LL 4,971 million from the sale of treasury shares during the year 2014 (2013: gain of LL 1,176 million). Gains and losses are reflected in the "Non distributable reserves".

41. Retained Earnings

As of 31 December, retained earnings include the following non distributable amounts:

LL Million	2014	2013
Group's share of accumulated unrealized gain on revaluation of structural position of subsidiary bank	37,900	23,289
Unrealized gain on financial assets at fair value through profit or loss	68,820	82,704
	106,720	**105,993**

In accordance with decision 362 of the Council of Money and Credit of Syria, unrealized accumulated foreign exchange profits from the revaluation of the structural position in foreign currency maintained by the subsidiary bank in Syria are non-distributable. These are classified as non- distributable amounts in retained earnings after the closing of each financial year ending 31 December, upon transfer of the profit for the period to retained earnings.

42. Revaluation Reserve of Real Estate

LL Million	2014	2013
Revaluation reserve accepted in Tier II capital	**14,727**	**14,727**

43. Change in Fair Value of Financial Assets at Fair Value through other Comprehensive Income

Movement of the change in fair value of financial assets at fair value through other comprehensive income during the year was as follows:

LL Million	2014	2013
At 1 January	-	(406)
Net changes in fair values during the year	498	406
Balance at 31 December	**498**	**-**

44. Cash and Cash Equivalents

LL Million	2014	2013
Cash and balances with central banks	2,652,992	2,335,618
Deposits with banks and financial institutions (whose original maturities are less than 3 months)	3,763,424	3,969,156
	6,416,416	**6,304,774**
Less:		
Due to central banks	(23,563)	(7,250)
Repurchase agreements	-	(36,396)
Due to banks and financial institutions (whose original maturities are less than 3 months)	(521,258)	(693,187)
	5,871,595	**5,567,941**

45. Dividends Declared and Paid

According to the resolution of the General Assembly meeting held on 9 April 2014, the following dividends were declared and paid, from the 2013 profits.

	2014		
	Number of shares	Dividends per share in LL	Total LL Million
Dividends on preferred shares – 2011 issue	20,000,000	1,055.25	21,105
Dividends on common shares	210,033,222	750	157,525
			178,630

The dividends on common shares, declared on 9 April 2014, were paid net of the treasury shares as of that date.

According to the resolution of the General Assembly meeting held on 15 April 2013, the following dividends were declared and paid, from the 2012 profits.

	2013		
	Number of shares	Dividends per share in LL	Total LL Million
Dividends on preferred shares – 2011 issue	20,000,000	1,055.25	21,105
Dividends on common shares	210,743,502	675	142,252
			163,357

The dividends on common shares, declared on 15 April 2013, were paid net of the treasury shares as of that date.

46. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operation decisions, or one other party controls both. The definition includes subsidiaries, key management personnel and their close family members, as well as entities controlled or jointly controlled by them.

A list of the Group's principal subsidiaries is shown in note 4. Transactions between the Bank and its subsidiaries meet the definition of related party transactions. However, where these are eliminated on consolidation, they are not disclosed in the Group's financial statements.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly.

Loans to related parties, (a) were made in the ordinary course of business, (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with others and (c) did not involve more than a normal risk of collectability or present other unfavorable features.

Related party balances included in the Group's Statement of Financial Position are as follows as of 31 December:

	2014		
	Key management personnel	Other related parties	Total
LL Million	Outstanding balance	Outstanding balance	Outstanding balance
Deposits	172,880	17,033	**189,913**
Net loans and advances	13,934	18,745	**32,679**
Guarantees given	6,254	55	**6,309**

	2013		
	Key management personnel	Other related parties	Total
LL Million	Outstanding balance	Outstanding balance	Outstanding balance
Deposits	139,226	11,816	**151,042**
Net loans and advances	13,246	15,176	**28,422**
Guarantees given	2,611	94	**2,705**

Related party transactions included in the Group's Income Statement are as follows for the year ended 31 December:

LL Million	2014 Key management personnel	2014 Other related parties	2014 Total
Interest paid on deposits	8,463	892	**9,355**
Interest received from net loans and advances	494	618	**1,112**
Accounting services' revenues	-	19	**19**

LL Million	2013 Key management personnel	2013 Other related parties	2013 Total
Interest paid on deposits	7,633	530	**8,163**
Interest received from net loans and advances	387	820	**1,207**
Accounting services' revenues	-	238	**238**

Key Management Personnel

Total remuneration awarded to key management personnel represents the awards made to individuals that have been approved by the Board Remuneration Committee as part of the latest pay round decisions. Figures are provided for the period that individuals met the definition of key management personnel.

LL Million	2014	2013
Short-term benefits	**44,742**	**41,620**
Post-employment benefits (charge for the year)	**1,687**	**1,685**

Short-term benefits comprise of salaries, bonuses, profit-sharing, attendance fees and other benefits.

47. Contingent Liabilities, Commitments and Leasing Arrangements

Credit – related commitments and contingent liabilities

To meet the financial needs of customers, the Group enters into various commitments, guarantees and other contingent liabilities, which are mainly credit-related instruments including both financial and non-financial guarantees and commitments to extend credit. Even though these obligations may not be recognized on the consolidated statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Group. The table below discloses the nominal principal amounts of credit-related commitments and contingent liabilities. Nominal principal amounts represent the amount at risk should the contracts be fully drawn upon and clients default. As a significant portion of guarantees and commitments is expected to expire without being withdrawn, the total of the nominal principal amount is not indicative of future liquidity requirements.

LL Million	2014 Banks	2014 Customers	2014 Total
Guarantees issued	36,001	767,816	803,817
Commitments			
Documentary credits	176,528	-	176,528
Loan commitments	-	1,809,236	1,809,236
Of which revocable	-	*1,528,209*	*1,528,209*
Of which irrevocable	-	*281,027*	*281,027*
Other commitments	1,092,802	50,352	1,143,154
	1,305,331	**2,627,404**	**3,932,735**

LL Million	2013 Banks	2013 Customers	2013 Total
Guarantees issued	31,928	691,420	723,348
Commitments			
Documentary credits	134,261	-	134,261
Loan commitments	-	1,821,387	1,821,387
Of which revocable	-	*1,506,416*	*1,506,416*
Of which irrevocable	-	*314,971*	*314,971*
Other commitments	919,175	43,286	962,461
	1,085,364	**2,556,093**	**3,641,457**

Guarantees issued

Guarantees are given as security to support the performance of a customer to third parties. The main types of guarantees provided are:

- Financial guarantees given to banks and financial institutions on behalf of customers to secure loans, overdrafts, and other banking facilities; and
- Other guarantees are contracts that have similar features to the financial guarantee contracts but fail to meet the strict definition of a financial guarantee contract under IFRS. These include mainly performance and tender guarantees.

Documentary credits

Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

Loan commitments

Loan commitments are defined amounts (unutilized credit lines or undrawn portions of credit lines) against which clients can borrow money under defined terms and conditions.

Revocable loan commitments are those commitments that can be cancelled at any time (without giving a reason) subject to notice requirements according to their general terms and conditions. Irrevocable loan commitments result from arrangements where the Group has no right to withdraw the loan commitment once communicated to the beneficiary.

Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business. The Group has an established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the Group makes adjustments to account for any adverse effects which the claims may have on its financial standing. At year end, the Group had several unresolved legal claims. Based on advice from legal counsel, management believes that legal claims will not result in any material financial loss to the Group.

Capital and operating lease commitments

Capital expenditures and lease payments that were not provided for as of the consolidated statement of financial position date are as follows:

LL Million	2014	2013
Capital commitments		
Property and equipment	**32,787**	**18,253**
Operating lease commitments – Group as lessee		
Future minimum lease payments under operating leases:		
During one year	2,116	1,843
More than 1 year and less than five years	7,465	6,526
More than five years	5,330	6,029
Total operating lease commitments at the consolidated statement of financial position date	**14,911**	**14,398**

Other commitments and contingencies

During 2013, the Bank's books in Lebanon were reviewed by the tax authorities for the years 2008 to 2011 inclusive. The outcome of this review resulted in additional taxes and penalties amounting to LL 2,503 million that were settled in 2014. The Bank's books in Lebanon remain subject to the review by the tax authorities for the years 2012 to 2014 (inclusive).

The Bank's books in Lebanon were reviewed by the National Social Security Fund (NSSF) for the period from 1 March 1998 to 31 October 2014 inclusive. The outcome of this review resulted in additional contributions and penalties amounting to LL 227 million that were settled in 2014. The Bank's books in Lebanon remain subject to the review by the National Social Security Fund (NSSF) for the period from 1 November 2014 to 31 December 2014.

In addition, the subsidiaries' books and records are subject to review by the tax and social security authorities in the countries in which they operate. Management believes that adequate provisions were recorded against possible review results to the extent that they can be reliably estimated.

For the past years, Syria, has been witnessing a period of political and civil unrest together with adverse events which can affect the economic environment of future periods. As part of its collective provisioning process, management performs stress tests on the loan portfolio exposed to the Syrian market risks and, as a result, the necessary provisions are booked. The Group's management continues to monitor and decrease its loan portfolio and evaluate the impact of these events on a regular basis.

48. Assets Held In Custody and Under Administration

LL Million	2014	2013
Assets held in custody and under administration	**10,787,376**	**8,321,550**

The Group provides safekeeping and servicing activities on behalf of clients, in addition to various support functions including the valuation of portfolios of securities and other financial assets, which complements the custody business.

49. Fair Value of the Financial Instruments

The fair values in this note are stated at a specific date and may be different from the amounts which will actually be paid on the maturity or settlement dates of the instrument. In many cases, it would not be possible to realize immediately the estimated fair values given the size of the portfolios measured. Accordingly, these fair values do not represent the value of these instruments to the Group as a going concern.

Financial assets and liabilities are classified according to a hierarchy that reflects the significance of observable market inputs. The three levels of the fair value hierarchy are defined below.

Quoted market prices – Level 1

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

Valuation technique using observable inputs – Level 2

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

Valuation technique using significant unobservable inputs – Level 3

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price. Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

Fair value measurement hierarchy of the Group's financial assets and liabilities carried at fair value:

	2014			
	Valuation techniques			
LL Million	Quoted market price Level 1	Observable inputs Level 2	Unobservable inputs Level 3	Total
Financial assets:				
Derivative financial instruments:				
Currency options	-	77,791	-	**77,791**
Forward foreign exchange contracts	-	19,655	-	**19,655**
Futures on commodities	-	6,641	-	**6,641**
Forward foreign exchange contracts used for hedging purposes	-	5,147	-	**5,147**
Financial assets at fair value through profit or loss:				
Unquoted equity securities	-	12,953	-	**12,953**
Quoted equity securities	140,280	-	-	**140,280**
Unquoted governmental debt securities	-	114,158	-	**114,158**
Quoted governmental debt securities	2,294	-	-	**2,294**
Unquoted corporate debt securities	-	1,695	-	**1,695**
Quoted corporate debt securities	434,836	-	-	**434,836**
Funds	-	86,364	-	**86,364**
Financial assets at fair value through other comprehensive income:				
Unquoted equity securities	-	3,579	-	**3,579**
Funds	-	3,726	-	**3,726**
Financial liabilities:				
Derivative financial instruments:				
Currency options	-	68,488	-	**68,488**
Forward foreign exchange contracts	-	17,492	-	**17,492**
Futures on commodities	-	6,641	-	**6,641**

	2013			
	Valuation techniques			
LL Million	Quoted market price Level 1	Observable inputs Level 2	Unobservable inputs Level 3	Total
Financial assets:				
Derivative financial instruments:				
Currency options	-	43,111	-	**43,111**
Forward foreign exchange contracts	-	18,121	-	**18,121**
Futures on commodities	-	1,379	-	**1,379**
Financial assets at fair value through profit or loss:				
Unquoted equity securities	-	11,807	-	**11,807**
Quoted equity securities	131,289	-	-	**131,289**
Unquoted governmental debt securities	-	93,067	-	**93,067**
Quoted governmental debt securities	18,535	-	-	**18,535**
Quoted corporate debt securities	618,987	-	-	**618,987**
Funds	-	70,576	-	**70,576**
Financial assets at fair value through other comprehensive income:				
Unquoted equity securities	-	3,609	-	**3,609**
Funds	-	2,841	-	**2,841**
Financial liabilities:				
Derivative financial instruments				
Currency options	-	48,711	-	**48,711**
Forward foreign exchange contracts	-	17,610	-	**17,610**
Futures on commodities	-	1,379	-	**1,379**
Forward foreign exchange contracts used for hedging purposes	-	3,640	-	**3,640**

There were no transfers between levels during 2014 (2013: the same).

Assets and liabilities measured at fair value using a valuation technique with significant observable inputs (Level 2)

Derivatives

Derivative products are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates.

Government bonds, certificates of deposits and other debt securities

The Group values these unquoted debt securities using discounted cash flow valuation models where the lowest level input that is significant to the entire measurement is observable in an active market. These inputs include assumptions regarding current rates of interest, implied volatilities and credit spreads.

Comparison of carrying and fair values for financial assets and liabilities not held at fair value:
The fair values included in the table below were calculated for disclosure purposes only. The fair valuation techniques and assumptions described below relate only to the fair value of the Group's financial instruments not measured at fair value. Other institutions may use different methods and assumptions for their fair value estimations, and therefore such fair value disclosures cannot necessarily be compared from one institution to another.

The fair value of financial instruments that are carried at amortized cost is as follows:

	2014		2013	
LL Million	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and balances with central banks	13,150,549	13,848,010	9,847,077	10,019,765
Due from banks and financial institutions	4,574,988	4,574,785	4,423,450	4,423,385
Loans to banks and financial institutions	95,288	100,939	103,758	112,137
Net loans and advances to customers at amortized cost	10,383,611	10,427,398	9,536,401	9,582,493
Net loans and advances to related parties at amortized cost	32,679	32,904	28,422	28,601
Debtors by acceptances	141,170	141,170	88,202	88,202
Financial assets at amortized cost	12,035,929	12,301,799	13,613,542	13,717,832
Government debt securities	*8,129,051*	*8,272,801*	*7,478,846*	*7,510,849*
Certificates of deposit – Central Banks	*2,360,242*	*2,435,310*	*4,780,317*	*4,836,015*
Corporate debt securities	*1,055,241*	*1,104,109*	*938,456*	*973,275*
Certificates of deposit – Commercial banks and financial institutions	*491,395*	*489,579*	*415,923*	*397,693*
Financial liabilities				
Due to central banks	384,895	252,836	108,590	66,268
Repurchase agreements	-	-	36,396	36,396
Due to banks and financial institutions	641,301	641,303	786,036	786,037
Customers' deposits at amortized cost	35,998,926	36,068,165	33,873,830	33,954,008
Deposits from related parties at amortized cost	189,913	191,128	151,042	151,314
Engagements by acceptances	141,170	141,170	88,202	88,202

Assets and liabilities for which fair value is disclosed using a valuation technique with significant observable inputs (Level 2) and / or significant unobservable inputs (Level 3)

For financial assets and financial liabilities that are liquid or have a short term maturity (less than three months), the Group assumed that the carrying values approximate the fair values. This assumption is also applied to demand deposits which have no specific maturity and financial instruments with variable rates.

Deposits with banks and loans and advances to banks
For the purpose of this disclosure there is minimal difference between fair value and carrying amount of these financial assets as they are short-term in nature or have interest rates that re-price frequently. The fair value of deposits with longer maturities are estimated using discounted cash flows applying market rates for counterparties with similar credit quality.

Government bonds, certificates of deposits and other debt securities
The Group values these unquoted debt securities using discounted cash flow valuation models where the lowest level input that is significant to the entire measurement is observable in an active market. These inputs include assumptions regarding current rates of interest and credit spreads.

Loans and advances to customers
For the purpose of this disclosure, fair value of loans and advances to customers is estimated using discounted cash flows by applying current rates for new loans granted during 2014 with similar remaining maturities and to counterparties with similar credit quality.

Deposits from banks and customers
In many cases, the fair value disclosed approximates carrying value because these financial liabilities are short-term in nature or have interest rates that re-price frequently. The fair value for deposits with long-term maturities, such as time deposits, are estimated using discounted cash flows, applying either market rates or current rates for deposits of similar remaining maturities.

	2014			
	Valuation techniques			
LL Million	Quoted market price Level 1	Observable inputs Level 2	Unobservable inputs Level 3	Total
Assets for which fair values are disclosed:				
Cash and balances with central banks	218,933	13,629,077	-	**13,848,010**
Due from banks and financial institutions	-	4,574,785	-	**4,574,785**
Loans to banks and financial institutions	-	100,939	-	**100,939**
Net loans and advances to customers at amortized cost	-	-	10,427,398	**10,427,398**
Net loans and advances to related parties at amortized cost	-	-	32,904	**32,904**
Financial assets at amortized cost:				
Government debt securities	*2,489,210*	*5,783,591*	-	**8,272,801**
Certificates of deposit - Central Banks	-	*2,435,310*	-	**2,435,310**
Corporate debt securities	*1,020,209*	*83,900*	-	**1,104,109**
Certificates of deposit - Commercial banks and financial institutions	-	*489,579*	-	**489,579**
Liabilities for which fair values are disclosed:				
Due to central banks	-	252,836	-	**252,836**
Due to banks and financial institutions	-	641,303	-	**641,303**
Customers' deposits at amortized cost	-	36,068,165	-	**36,068,165**
Deposits from related parties at amortized cost	-	191,128	-	**191,128**

LL Million	2013			
	Valuation techniques			
	Quoted market price Level 1	Observable inputs Level 2	Unobservable inputs Level 3	Total
Assets for which fair values are disclosed:				
Cash and balances with central banks	207,627	9,812,138	-	**10,019,765**
Due from banks and financial institutions	-	4,423,385	-	**4,423,385**
Loans to banks and financial institutions	-	112,137		**112,137**
Net loans and advances to customers at amortized cost	-	-	9,582,493	**9,582,493**
Net loans and advances to related parties at amortized cost	-	-	28,601	**28,601**
Financial assets at amortized cost:				
Government debt securities	*2,505,738*	*5,005,111*	-	**7,510,849**
Certificates of deposit - Central Banks	-	*4,836,015*	-	**4,836,015**
Corporate debt securities	*914,161*	*59,114*	-	**973,275**
Certificates of deposit - Commercial banks and financial institutions	-	*397,693*	-	**397,693**
Liabilities for which fair values are disclosed:				
Due to central banks	-	66,268	-	**66,268**
Repurchase agreements	-	36,396	-	**36,396**
Due to banks and financial institutions	-	786,037	-	**786,037**
Customers' deposits at amortized cost	-	33,954,008	-	**33,954,008**
Deposits from related parties at amortized cost	-	151,314	-	**151,314**

50. Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

The maturity profile of the Group's assets and liabilities as at 31 December is as follows:

	2014		
LL Million	Less than one year	More than one year	Total
Assets			
Cash and balances with central banks	3,041,097	10,109,452	13,150,549
Due from banks and financial institutions	4,527,287	47,701	4,574,988
Loans to banks and financial institutions	52,516	42,772	95,288
Derivative financial instruments	109,234	-	109,234
Financial assets at fair value through profit or loss	200,393	592,187	792,580
Net loans and advances to customers at amortized cost	7,910,541	2,473,070	10,383,611
Net loans and advances to related parties at amortized cost	23,220	9,459	32,679
Debtors by acceptances	137,662	3,508	141,170
Financial assets at amortized cost	2,041,590	9,994,339	12,035,929
Financial assets at fair value through other comprehensive income	-	7,305	7,305
Property and equipment	-	619,625	619,625
Intangible assets	-	2,490	2,490
Assets obtained in settlement of debt	-	19,889	19,889
Other assets	125,077	29,150	154,227
Goodwill	-	52,214	52,214
Total Assets	**18,168,617**	**24,003,161**	**42,171,778**
Liabilities			
Due to central banks	38,021	346,874	384,895
Due to banks and financial institutions	641,301	-	641,301
Derivative financial instruments	92,621	-	92,621
Customers' deposits at amortized cost	35,367,742	631,184	35,998,926
Deposits from related parties at amortized cost	189,913	-	189,913
Engagements by acceptances	137,662	3,508	141,170
Other liabilities	663,085	109,411	772,496
Provisions for risks and charges	70,817	76,561	147,378
Total Liabilities	**37,201,162**	**1,167,538**	**38,368,700**
Net	**(19,032,545)**	**22,835,623**	**3,803,078**

LL Million	2013		
	Less than one year	More than one year	Total
Assets			
Cash and balances with central banks	2,454,022	7,393,055	9,847,077
Due from banks and financial institutions	4,335,053	88,397	4,423,450
Loans to banks and financial institutions	52,471	51,287	103,758
Derivative financial instruments	62,611	-	62,611
Financial assets at fair value through profit or loss	6,747	937,514	944,261
Net loans and advances to customers at amortized cost	6,745,307	2,791,094	9,536,401
Net loans and advances to related parties at amortized cost	20,055	8,367	28,422
Debtors by acceptances	84,442	3,760	88,202
Financial assets at amortized cost	1,815,299	11,798,243	13,613,542
Financial assets at fair value through other comprehensive income	-	6,450	6,450
Property and equipment	-	536,036	536,036
Intangible assets	-	2,941	2,941
Assets obtained in settlement of debt	-	23,514	23,514
Other assets	108,735	39,861	148,596
Goodwill	-	53,833	53,833
Total Assets	**15,684,742**	**23,734,352**	**39,419,094**
Liabilities			
Due to central banks	11,248	97,342	108,590
Repurchase agreements	36,396	-	36,396
Due to banks and financial institutions	786,036	-	786,036
Derivative financial instruments	71,340	-	71,340
Financial liabilities at fair value through profit or loss	3,032	-	3,032
Customers' deposits at amortized cost	33,016,144	857,686	33,873,830
Deposits from related parties at amortized cost	151,042	-	151,042
Engagements by acceptances	84,442	3,760	88,202
Other liabilities	504,369	114,500	618,869
Provisions for risks and charges	31,417	109,494	140,911
Total Liabilities	**34,695,466**	**1,182,782**	**35,878,248**
Net	**(19,010,724)**	**22,551,570**	**3,540,846**

51. Risk Management

The Group manages its business activities within risk management guidelines as set by the Group's "Risk Management Policy" approved by the Board of Directors. The Group recognizes the role of the Board of Directors and executive management in the risk management process as set out in the Banking Control Commission circular 242. In particular, it is recognized that ultimate responsibility for establishment of effective risk management practices and culture lies with the Board of Directors as does the establishing of the Group's risk appetite and tolerance levels. The Board of Directors delegates through its Risk Management Committee the day–to–day responsibility for establishment and monitoring of risk management process across the Group to the Chief Risk Officer, who is directly appointed by the Board of Directors, in coordination with executive management at BLOM Bank SAL.

The Group is mainly exposed to credit risk, liquidity risk, market risk and operational risk.

The Board's Risk Management Committee has the mission to periodically (1) review and assess the risk management function of the Group, (2) review the adequacy of the Group's capital and its allocation within the Group, and (3) review risk limits and reports and make recommendations to the Board.

The Chief Risk Officer undertakes his responsibilities through the "Risk Management Department" in Beirut which also acts as Group Risk Management, overseeing and monitoring risk management activities throughout the Group. The Chief Risk Officer is responsible for establishing the function of Risk Management and its employees across the Group.

BLOM Bank's Group Risk Management aids executive management in monitoring, controlling and actively managing and mitigating the Group's overall risk. The Division mainly ensures that:

- Risk policies and methodologies are consistent with the Group's risk appetite.
- Limits and risk across banking activities are monitored and managed throughout the Group.

Through a comprehensive risk management framework, transactions and outstanding risk exposures are quantified and compared against authorized limits, whereas non-quantifiable risks are monitored against policy guidelines as set by the Group's "Risk Management Policy". Any discrepancies, breaches or deviations are escalated to executive senior management in a timely manner for appropriate action.

In addition to the Group's Risk Management in Lebanon, risk managers and / or risk officers were assigned within the Group's foreign subsidiaries or branches to report to the Group Risk Management and executive senior management in a manner that ensures:

- Standardization of risk management functions and systems developed across the Group.
- Regional consistency of conducted business in line with the Board's approved risk appetite.

The major objective of risk management is the implementation of sound risk management practices and the Basel II and Basel III frameworks as well as all related regulatory requirements within the Group. Pillar I capital adequacy calculations have been generated since December 2004, while preparations for moving on to the more advanced approaches of pillar I have been initiated. Group Risk Management is progressively complying with the requirements of pillars II and III and is periodically updating and submitting the Internal Capital Adequacy Assessment Process (ICAAP) for BLOM Bank on an individual and consolidated basis. The Group has documented a Board approved Disclosure Policy taking into account the requirements of pillar III of the Basel framework.

Excessive risk concentration

Concentrations arise when the Group has significant exposure to one borrower or a group of related borrowers or to a number of counter parties engaging 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 indicate the relative sensitivity of the Group's performance developments affecting a particular industry or geographic location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. The Group applies stress testing on its concentrations in order to assess their effect on the Group financial standing and capital adequacy in a stressed situation.

51.1 Credit Risk

Credit risk is the risk that one party or group of related parties fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter parties, and continuously assessing the creditworthiness of counter parties.

The Group manages credit risk in line with the guidelines set by the Basel Framework and regulatory guidance. The Group has set a credit risk policy which lays down norms for credit risk governance, methodologies and procedures for credit risk management and measurement. It consists of the following:

- The permissible activities, segments, programs and services that the Group intends to deliver and the acceptable limits;
- The mechanism of the approval on credit-facilities;
- The mechanism for managing and following up credit-facilities; and
- The required actions for analyzing and organizing credit files.

The debt securities included in investments are mainly sovereign risk and standard grade securities. For details of the composition of the net loans and advances refer to note 23. Information on credit risk relating to derivative instruments is provided in note 21 and for commitments and contingencies in note 47. The information on the Group's net maximum exposure by economic sectors is given in note (A) below.

The Group's Risk Management is designed to identify and to set appropriate risk limits and to monitor the risk adherence to limits. Actual exposures against limits are monitored daily, monthly and periodically. Group Risk Management is responsible for monitoring the risk profile of the Group's loan portfolio by producing internal reports highlighting any exposure of concern in corporate, commercial and consumer lending. The Group examines the level of concentration whether by credit quality, client groupings or economic sector and collateral coverage. Further, the Group monitors non-performing loans and takes the required provisions for these loans.

The Group in the ordinary course of lending activities holds collaterals and guarantees as security to mitigate credit risk in the net loans and advances. Collaterals and guarantees are continuously monitored and revaluated. These collaterals mostly include cash collateral, quoted shares and debt securities, real estate mortgages, personal guarantees and others. In addition, the Recovery Unit in the Group dynamically manages and takes remedial actions for non-performing loans.

The Group applies the BDL risk rating classifications in addition to an internal rating system for its corporate and Small and Medium Enterprises (SMEs), which is managed by an independent unit, provides a rating based on client and transaction level. The BDL classification system includes six grades, of which three grades relate to the performing portfolio (regular credit facilities: risk ratings "1" and "2" and special mention – watch list: risk rating "3"), one grade relates to substandard loans (risk rating "4") and two grades relate to non-performing loans (risk ratings "5" and "6"). Credit cards, personal loans, car loans, housing loans and other loans related to these loans are classified as regular as they are performing and have timely repayment with no past dues; except for those loans that have unsettled payments due for more than 90 days. Each individual borrower is rated based on an internally developed debt rating model that evaluates risk based on financial as well as qualitative inputs. The associated loss estimate norms for each grade have been calculated based on the Group's historical default rates for each rating. These risk ratings are reviewed on a regular basis.

Introduction of the Moody's Risk Analyst credit analysis and internal ratings system in the domestic market has provided the Group with an additional tool to enhance risk measurement and assessment of the corporate and commercial loan portfolios. This system will be gradually extended to all group entities over time.

At the same time, implementation of consumer loan application scorecards will aid significantly in meeting Basel II requirements for the retail portfolio as well as making available new quality management resources.

Non-performing loans are closely monitored and well provisioned as required with remedial actions taken and managed proactively by a dedicated Recovery Unit. In line with Basel II, the Group considers payments that are past due for more than 90 days as being non-performing.

A- Analysis of risk concentration

The following table shows the maximum exposure to credit risk for the components of the consolidated statement of financial position, including derivatives, by geography of counterparty before the effect of mitigation through the use of master netting and collateral agreements. Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

	2014		
LL Million	Domestic	International	Total
Financial assets			
Balances with central banks	11,439,788	1,491,828	12,931,616
Due from banks and financial institutions	569,115	4,005,873	4,574,988
Loans to banks and financial institutions	43,258	52,030	95,288
Derivative financial instruments	75,574	33,660	109,234
Financial assets at fair value through profit or loss	54,536	738,044	792,580
Government debt securities	*26,200*	*90,252*	*116,452*
Corporate debt securities	-	*436,531*	*436,531*
Funds	*12,677*	*73,687*	*86,364*
Shares	*15,659*	*137,574*	*153,233*
Net loans and advances to customers at amortized cost	7,134,499	3,249,112	10,383,611
Commercial loans	*4,015,652*	*2,324,692*	*6,340,344*
Consumer loans	*3,118,847*	*924,420*	*4,043,267*
Net loans and advances to related parties at amortized cost	22,351	10,328	32,679
Debtors by acceptances	102,312	38,858	141,170
Financial assets at amortized cost	8,927,448	3,108,481	12,035,929
Government debt securities	*6,163,703*	*1,965,348*	*8,129,051*
Corporate debt securities	*37,730*	*1,017,511*	*1,055,241*
Certificates of deposit – Central Banks	*2,360,242*	-	*2,360,242*
Certificates of deposit – Commercial banks and financial institutions	*365,773*	*125,622*	*491,395*
Financial assets at fair value through other comprehensive income	-	7,305	7,305
Total credit exposure	**28,368,881**	**12,735,519**	**41,104,400**

LL Million	2013 Domestic	2013 International	2013 Total
Financial assets			
Balances with central banks	8,263,908	1,375,542	9,639,450
Due from banks and financial institutions	521,347	3,902,103	4,423,450
Loans to banks and financial institutions	51,865	51,893	103,758
Derivative financial instruments	43,308	19,303	62,611
Financial assets at fair value through profit or loss	57,932	886,329	944,261
Government debt securities	*31,040*	*80,562*	*111,602*
Corporate debt securities	*799*	*618,188*	*618,987*
Funds	*10,811*	*59,765*	*70,576*
Shares	*15,282*	*127,814*	*143,096*
Net loans and advances to customers at amortized cost	6,756,530	2,779,871	9,536,401
Commercial loans	*3,920,457*	*1,980,853*	*5,901,310*
Consumer loans	*2,836,073*	*799,018*	*3,635,091*
Net loans and advances to related parties at amortized cost	17,992	10,430	28,422
Debtors by acceptances	55,515	32,687	88,202
Financial assets at amortized cost	11,134,977	2,478,565	13,613,542
Government debt securities	*5,951,654*	*1,527,192*	*7,478,846*
Corporate debt securities	*37,730*	*900,726*	*938,456*
Certificates of deposit – Central Banks	*4,780,317*	-	*4,780,317*
Certificates of deposit – Commercial banks and financial institutions	*365,276*	*50,647*	*415,923*
Financial assets at fair value through other comprehensive income	-	6,450	6,450
Total credit exposure	**26,903,374**	**11,543,173**	**38,446,547**

Analysis to maximum exposure to credit risk and collateral and other credit enhancements

The following table shows the maximum exposure to credit risk by class of financial asset. It further shows the total fair value of collateral, capped to the maximum exposure to which it relates and the net exposure to credit risk.

LL Million	2014 Maximum exposure	Cash	Securities	Letters of credit / guarantees	Real estate	Other	Net credit exposure
Balances with central banks	12,931,616	-	-	-	-	-	12,931,616
Due from banks and financial institutions	4,574,988	-	75,000	-	-	-	4,499,988
Loans to banks and financial institutions	95,288	-	-	-	43,258	-	52,030
Derivative financial instruments	109,234	-	-	-	-	-	109,234
Financial assets at fair value through profit or loss	792,580	-	-	-	-	-	792,580
Net loans and advances to customers at amortized cost:	10,383,611	1,480,287	165,417	98,083	3,834,530	2,434,916	2,370,378
Commercial loans	*6,340,344*	*1,421,382*	*165,417*	*98,083*	*2,012,761*	*1,028,644*	*1,614,057*
Consumer loans	*4,043,267*	*58,905*	-	-	*1,821,769*	*1,406,272*	*756,321*
	28,887,317	**1,480,287**	**240,417**	**98,083**	**3,877,788**	**2,434,916**	**20,755,826**
Net loans and advances to related parties at amortized cost	32,679	6,042	-	-	14,772	74	11,791
Debtors by acceptances	141,170	-	-	-	-	-	141,170
Financial assets at amortized cost	12,035,929	-	-	-	-	-	12,035,929
	41,097,095	**1,486,329**	**240,417**	**98,083**	**3,892,560**	**2,434,990**	**32,944,716**
Guarantees received from banks, financial institutions and customers							
Utilized collateral		1,486,329	240,417	98,083	3,892,560	2,434,990	8,152,379
Surplus of collateral before undrawn credit lines		530,623	954,249	404	3,006,868	5,237,345	9,729,489
		2,016,952	**1,194,666**	**98,487**	**6,899,428**	**7,672,335**	**17,881,868**

The surplus of collateral mentioned above is presented before offsetting additional credit commitments given to customers amounting to LL 1,809,236 million as at 31 December 2014.

LL Million	2013						
	Maximum exposure	Cash	Securities	Letters of credit / guarantees	Real estate	Other	Net credit exposure
Balances with central banks	9,639,450	-	-	-	-	-	9,639,450
Due from banks and financial institutions	4,423,450	-	70,000	-	-	-	4,353,450
Loans to banks and financial institutions	103,758	-	-	-	51,865	-	51,893
Derivative financial instruments	62,611	-	-	-	-	-	62,611
Financial assets at fair value through profit or loss	944,261	-	-	-	-	-	944,261
Net loans and advances to customers at amortized cost:	9,536,401	1,384,362	153,369	92,943	4,294,441	2,272,415	1,338,871
Commercial loans	*5,901,310*	*1,341,655*	*153,369*	*92,943*	*2,228,702*	*919,161*	*1,165,480*
Consumer loans	*3,635,091*	*42,707*	*-*	*-*	*2,065,739*	*1,353,254*	*173,391*
	24,709,931	**1,384,362**	**223,369**	**92,943**	**4,346,306**	**2,272,415**	**16,390,536**
Net loans and advances to related parties at amortized cost	28,422	5,265	-	-	11,614	-	11,543
Debtors by acceptances	88,202	-	-	-	-	-	88,202
Financial assets at amortized cost	13,613,542	-	-	-	-	-	13,613,542
	38,440,097	**1,389,627**	**223,369**	**92,943**	**4,357,920**	**2,272,415**	**30,103,823**
Guarantees received from banks, financial institutions and customers							
Utilized collateral		1,389,627	223,369	92,943	4,357,920	2,272,415	8,336,274
Surplus of collateral before undrawn credit lines		425,514	586,456	6,231	1,940,757	4,997,684	7,956,642
		1,815,141	**809,825**	**99,174**	**6,298,677**	**7,270,099**	**16,292,916**

The surplus of collateral mentioned above is presented before offsetting additional credit commitments given to customers amounting to LL 1,821,387 million as at 31 December 2013.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

The main types of collateral obtained are as follows:

Securities

The balances shown above represent the fair value of the securities and are net of any surplus collateral.

Letters of credit / guarantees

The Group holds in some cases guarantees, letters of credit and similar instruments from banks and financial institutions which enable it to claim settlement in the event of default on the part of the counterparty. The balances shown represent the notional amount of these types of guarantees held by the Group and are net of any surplus collateral.

Real estate (commercial and residential)

The Group holds in some cases a first degree mortgage over residential property (for housing loans) and commercial property (for commercial loans). The value shown above reflects the fair value of the property limited to the related mortgaged amount and are net of any surplus collateral.

Other

The Group also obtains guarantees from parent companies for loans to their subsidiaries, personal guarantees for loans to companies owned by individuals and assignments of insurance proceeds and revenues. The balances shown above represent the notional amount of these types of guarantees held by the Group and are net of any surplus collateral.

B- Credit quality by class of financial assets

The credit quality of financial assets is managed by the Group using external credit ratings. The credit quality of loans and advances is managed using the internal credit ratings as well as Supervisory ratings in accordance with Central Bank of Lebanon main circular 58.

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Group's credit rating system. The amounts presented are gross of impairment allowances.

	2014					
	Sovereign	Non-Sovereign				
	Neither past due nor impaired	Neither past due nor impaired	Past due but not impaired	Individually impaired		
LL Million	Regular and special mention	Regular and special mention	Regular and special mention	Sub-standard	Non performing	Total
Balances with central banks	12,931,616	-	-	-	-	12,931,616
Due from banks and financial institutions	-	4,574,988	-	-	2,078	4,577,066
Loans to banks and financial institutions	-	95,288	-	-	-	95,288
Derivative financial instruments	-	109,234	-	-	-	109,234
Financial assets at fair value through profit or loss	116,452	522,895	-	-	-	639,347
Government debt securities	*116,452*	-	-	-	-	*116,452*
Corporate debt securities	-	*436,531*	-	-	-	*436,531*
Funds	-	*86,364*	-	-	-	*86,364*
Net loans and advances to customers at amortized cost	-	9,892,130	355,271	101,611	482,265	10,831,277
Commercial loans	-	*6,033,749*	*168,110*	*92,463*	*406,507*	*6,700,829*
Consumer loans	-	*3,858,381*	*187,161*	*9,148*	*75,758*	*4,130,448*
Net loans and advances to related parties at amortized cost	-	32,679	-	-	-	32,679
Financial assets at amortized cost	10,489,293	1,546,636	-	-	-	12,035,929
Government debt securities	*8,129,051*	-	-	-	-	*8,129,051*
Corporate debt securities	-	*1,055,241*	-	-	-	*1,055,241*
Certificates of deposit – Central Banks	*2,360,242*	-	-	-	-	*2,360,242*
Certificates of deposit – Commercial banks and financial institutions	-	*491,395*	-	-	-	*491,395*
Total	**23,537,361**	**16,773,850**	**355,271**	**101,611**	**484,343**	**41,252,436**

LL Million	2013					
	Sovereign	Non-Sovereign				
	Neither past due nor impaired	Neither past due nor impaired	Past due but not impaired	Individually impaired		
	Regular and special mention	Regular and special mention	Regular and special mention	Sub-standard	Non performing	Total
Balances with central banks	9,639,450	-	-	-	-	9,639,450
Due from banks and financial institutions	-	4,423,450	-	-	1,521	4,424,971
Loans to banks and financial institutions	-	103,758	-	-	-	103,758
Derivative financial instruments	-	62,611	-	-	-	62,611
Financial assets at fair value through profit or loss	111,602	689,563	-	-	-	801,165
Government debt securities	*111,602*	-	-	-	-	*111,602*
Corporate debt securities	-	*618,987*	-	-	-	*618,987*
Funds	-	*70,576*	-	-	-	*70,576*
Net loans and advances to customers at amortized cost	-	8,970,576	409,228	196,587	494,202	10,070,593
Commercial loans	-	*5,558,338*	*203,955*	*196,587*	*393,249*	*6,352,129*
Consumer loans	-	*3,412,238*	*205,273*	-	*100,953*	*3,718,464*
Net loans and advances to related parties at amortized cost	-	28,422	-	-	-	28,422
Financial assets at amortized cost	12,259,163	1,354,379	-	-	-	13,613,542
Government debt securities	*7,478,846*	-	-	-	-	*7,478,846*
Corporate debt securities	-	*938,456*	-	-	-	*938,456*
Certificates of deposit – Central Banks	*4,780,317*	-	-	-	-	*4,780,317*
Certificates of deposit – Commercial banks and financial institutions	-	*415,923*	-	-	-	*415,923*
Total	**22,010,215**	**15,632,759**	**409,228**	**196,587**	**495,723**	**38,744,512**

C- Aging analysis of past due but not impaired financial assets, by class

LL Million	2014				
	Less than 30 days	30 to 60 days	61 to 90 days	More than 90 days	Total
Commercial loans	101,280	7,326	27,896	31,608	168,110
Consumer loans	118,180	51,963	16,529	489	187,161
	219,460	**59,289**	**44,425**	**32,097**	**355,271**

LL Million	2013				
	Less than 30 days	30 to 60 days	61 to 90 days	More than 90 days	Total
Commercial loans	121,751	13,464	35,789	32,951	203,955
Consumer loans	138,476	50,204	15,011	1,582	205,273
	260,227	**63,668**	**50,800**	**34,533**	**409,228**

See note 23 for more detailed information with respect to the allowance for impairment losses on net loans and advances to customers.

Renegotiated Loans

Restructuring activity aims to manage customer relationships, maximize collection opportunities and, if possible, avoid foreclosure or repossession. Such activities include extended payment arrangements, deferring foreclosure, modification, loan rewrites and/or deferral of payments pending a change in circumstances.

Restructuring policies and practices are based on indicators or criteria which, in the judgment of local management, indicate that repayment will probably continue. The application of these policies varies according to the nature of the market and the type of the facility.

LL Million	2014	2013
Commercial loans	**79,125**	**20,880**

51.2 Liquidity Risk and Funding Management

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis. The Group has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high quality liquid assets.

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. In addition, the Group maintains statutory deposits with Central Banks. As per Lebanese banking regulations, the Bank must retain obligatory reserves with the Central Bank of Lebanon calculated on the basis of 25% of the sight deposits and 15% of term deposits denominated in Lebanese Pounds, in addition to interest bearing placements equivalent to 15% of all deposits in foreign currencies regardless of their nature.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. The Group maintains a solid ratio of highly liquid net assets in foreign currencies to deposits and commitments in foreign currencies taking market conditions into consideration.

Regulatory ratios and limits

In accordance with the Central Bank of Lebanon circulars, the ratio of net liquid assets to deposits in foreign currencies should not be less than 10%. The net liquid assets consist of cash and all balances with the Central Bank of Lebanon (excluding reserve requirements), certificates of deposit issued by the Central Bank of Lebanon irrespective of their maturities and deposits due from other banks that mature within one year, less deposits due to the Central Bank of Lebanon and deposits due to banks that mature within one year. Deposits are composed of total customer deposits (excluding blocked accounts) and due from financial institutions irrespective of their maturities and all certificates of deposits and acceptances and other debt instruments issued by the Group and loans from the public sector that mature within one year.

Besides the regulatory requirements, the liquidity position is also monitored through internal limits, such as the loans-to-deposits ratio, the core funding ratio and the liquidity tolerance level of the Group, also referred to as Liquidity Coverage Ratio.

Liquidity ratios		2014	2013
Loans to deposit ratios (%)			
	Year-end	28.78	28.11
	Maximum	29.38	28.11
	Minimum	28.30	27.15
	Average	28.81	27.75

51.2.1 Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial assets and liabilities as of 31 December based on contractual undiscounted cash flows. The contractual maturities have been determined based on the period remaining to reach maturity as per the statement of financial position actual commitments. Repayments which are subject to notice are treated as if notice were to be given immediately. Concerning deposits, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay.

	2014					
LL Million	Up to 1 month	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial assets						
Cash and balances with central banks	2,755,302	323,637	517,292	6,003,596	7,595,382	17,195,209
Due from banks and financial institutions	3,485,255	577,979	465,819	47,701	-	4,576,754
Loans to banks and financial institutions	484	641	53,666	30,910	18,295	103,996
Derivative financial instruments	43,961	63,899	1,374	-	-	109,234
Financial assets at fair value through profit or loss	4,350	20,432	188,027	436,372	166,111	815,292
Net loans and advances to customers at amortized cost	3,309,369	1,407,776	3,504,980	2,222,343	775,110	11,219,578
Net loans and advances to related parties at amortized cost	23,393	391	1,674	5,158	7,566	38,182
Debtors by acceptances	50,407	82,962	4,294	3,379	128	141,170
Financial assets at amortized cost	344,198	543,531	1,946,406	7,698,250	5,311,854	15,844,239
Financial assets at fair value through other comprehensive income	-	-	-	-	7,305	7,305
Total undiscounted financial assets	**10,016,719**	**3,021,248**	**6,683,532**	**16,447,709**	**13,881,751**	**50,050,959**
Financial liabilities						
Due to central banks	10,923	13,473	16,850	137,103	223,962	402,311
Due to banks and financial institutions	597,080	27,728	16,731	-	-	641,539
Derivative financial instruments	34,778	56,469	1,374	-	-	92,621
Customers' deposits at amortized cost	26,464,554	5,671,844	3,396,652	660,160	45,359	36,238,569
Deposits from related parties at amortized cost	35,093	141,751	14,673	-	-	191,517
Engagements by acceptances	50,407	82,845	4,411	3,379	128	141,170
Total undiscounted financial liabilities	**27,192,835**	**5,994,110**	**3,450,691**	**800,642**	**269,449**	**37,707,727**
Net undiscounted financial assets / (liabilities)	**(17,176,116)**	**(2,972,862)**	**3,232,841**	**15,647,067**	**13,612,302**	**12,343,232**

LL Million	2013 Up to 1 month	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial assets						
Cash and balances with central banks	2,166,561	185,284	470,399	4,914,728	4,699,230	12,436,202
Due from banks and financial institutions	3,785,737	349,747	201,359	88,550	-	4,425,393
Loans to banks and financial institutions	485	714	54,306	12,289	52,552	120,346
Derivative financial instruments	23,069	15,704	23,838	-	-	62,611
Financial assets at fair value through profit or loss	4,880	4,498	13,556	796,940	164,652	984,526
Net loans and advances to customers at amortized cost	2,984,429	1,220,447	2,845,126	2,580,649	816,897	10,447,548
Net loans and advances to related parties at amortized cost	20,143	294	1,271	4,002	7,190	32,900
Debtors by acceptances	24,111	53,994	6,337	3,112	648	88,202
Financial assets at amortized cost	285,113	554,830	1,861,615	9,509,859	5,564,120	17,775,537
Financial assets at fair value through other comprehensive income	-	-	-	991	5,458	6,449
Total undiscounted financial assets	**9,294,528**	**2,385,512**	**5,477,807**	**17,911,120**	**11,310,747**	**46,379,714**
Financial liabilities						
Due to central banks	2,585	4,916	4,693	27,531	74,032	113,757
Repurchase agreements	36,396	-	-	-	-	36,396
Due to banks and financial institutions	631,096	112,664	42,547	-	-	786,307
Derivative financial instruments	31,044	16,459	23,838	-	-	71,341
Financial liabilities at fair value through profit or loss	5	9	3,074	-	-	3,088
Customers' deposits at amortized cost	21,962,453	8,244,960	2,979,557	922,901	4,774	34,114,645
Deposits from related parties at amortized cost	147,488	3,354	571	-	-	151,413
Engagements by acceptances	24,111	53,994	6,337	3,112	648	88,202
Total undiscounted financial liabilities	**22,835,178**	**8,436,356**	**3,060,617**	**953,544**	**79,454**	**35,365,149**
Net undiscounted financial assets / (liabilities)	**(13,540,650)**	**(6,050,844)**	**2,417,190**	**16,957,576**	**11,231,293**	**11,014,565**

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

LL Million	2014 On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Guarantees issued	803,817	-	-	-	-	803,817
Documentary credits	-	176,528	-	-	-	176,528
Other commitments	-	67,244	-	-	-	67,244
Total	**803,817**	**243,772**	**-**	**-**	**-**	**1,047,589**

LL Million	2013 On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Guarantees issued	723,348	-	-	-	-	723,348
Documentary credits	-	134,261	-	-	-	134,261
Other commitments	-	58,329	-	-	-	58,329
Total	**723,348**	**192,590**	**-**	**-**	**-**	**915,938**

The Group expects that not all of the contingent liabilities or commitments will be demanded before maturity.

51.3 Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices. Market risks arise from open positions in interest rate and currency rate as well as equity positions, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates and foreign exchange rates.

Group Risk Management is responsible for generating internal reports quantifying the Group's earnings at risk due to extreme movements in interest rates, while daily monitoring the sensitivity of the Group's trading portfolio of fixed income securities to changes in market prices and / or market parameters. Interest rate sensitivity gaps are reported to executive management and to the Banking Control Commission unconsolidated on a monthly basis and consolidated (Group level) on a semi- annual basis. The Group's Asset and Liability Management (ALM) Policy assigns authority for its formulation, revision and administration to the Asset / Liability Management Committee (ALCO) of BLOM Bank SAL. Group Risk Management is responsible for monitoring compliance with all limits set in the ALM policy ranging from core foreign currency liquidity to liquidity mismatch limits to interest sensitivity gap limits.

51.3.1 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair values of financial instruments. The Group is exposed to interest rate risk as a result of mismatches of interest rate repricing of assets and liabilities and off-financial position items that mature or reprice in a given period. The Group manages this risk by matching the repricing of assets and liabilities through risk management strategies. Positions are monitored on a daily basis by management and, whenever possible, hedging strategies are used to ensure positions are maintained within established limits.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's consolidated income statement.

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the profit or loss for one year, based on the floating rate financial assets and financial liabilities and due to the reinvestment or refunding of fixed rated financial assets and liabilities at the assumed rate, including the effect of hedging instruments.

	2014	
LL Million	Increase in basis points	Sensitivity of net interest income
Currency		
Lebanese Lira	+0.5%	(17,545)
United States Dollar	+0.5%	6,995
Euro	+0.25%	(1,889)
Others	+0.25%	1,266

	2013	
LL Million	Increase in basis points	Sensitivity of net interest income
Currency		
Lebanese Lira	+0.5%	(15,660)
United States Dollar	+0.5%	4,673
Euro	+0.25%	(458)
Others	+0.25%	1,312

An equivalent decrease would have resulted in an equivalent but opposite impact for the years ended 31 December 2014 and 31 December 2013.

Interest rate sensitivity gap

The Group's interest sensitivity position based on the earlier of contractual re-pricing or maturity date at 31 December was as follows:

	2014							
LL Million	Up to 1 month	1 to 3 months	3 months to 1 year	(1 – 2) years	(2 – 5) years	More than 5 years	Non interest sensitive	Total
Assets								
Cash and balances with central banks	1,644,390	1,167,103	233,663	908,711	850,913	6,089,964	2,255,805	13,150,549
Due from banks and financial institutions	2,310,151	588,651	469,900	28,373	19,145	-	1,158,768	4,574,988
Loans to banks and financial institutions	-	10,000	84,599	-	-	-	689	95,288
Derivative financial instruments	-	-	-	-	-	-	109,234	109,234
Financial assets at fair value through profit or loss	175,208	239,472	94,056	5,778	31,486	3,249	243,331	792,580
Net loans and advances to customers at amortized cost	3,847,371	2,054,203	2,754,898	789,608	699,088	62,417	176,026	10,383,611
Net loans and advances to related parties at amortized cost	23,107	37	2,472	74	-	6,989	-	32,679
Debtors by acceptances	-	-	-	-	-	-	141,170	141,170
Financial assets at amortized cost	367,189	381,734	1,296,656	1,930,187	3,682,994	4,208,212	168,957	12,035,929
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	7,305	7,305
Total Assets	**8,367,416**	**4,441,200**	**4,936,244**	**3,662,731**	**5,283,626**	**10,370,831**	**4,261,285**	**41,323,333**
Liabilities								
Due to central banks	7,362	12,878	14,471	19,584	85,362	242,376	2,862	384,895
Due to banks and financial institutions	143,733	60,719	48,697	-	-	-	388,152	641,301
Derivative financial instruments	-	-	-	-	-	-	92,621	92,621
Customers' deposits at amortized cost	23,124,422	3,488,242	3,203,720	267,736	277,261	42,084	5,595,461	35,998,926
Deposits from related parties at amortized cost	34,854	140,617	14,442	-	-	-	-	189,913
Engagements by acceptances	-	-	-	-	-	-	141,170	141,170
Other liabilities	70,473	-	-	-	-	-	702,023	772,496
Total liabilities	**23,380,844**	**3,702,456**	**3,281,330**	**287,320**	**362,623**	**284,460**	**6,922,289**	**38,221,322**
Total interest rate sensitivity gap	**(15,013,428)**	**738,744**	**1,654,914**	**3,375,411**	**4,921,003**	**10,086,371**	**(2,661,004)**	**3,102,011**

	2013							
LL Million	Up to 1 month	1 to 3 months	3 months to 1 year	(1 – 2) years	(2 – 5) years	More than 5 years	Non interest sensitive	Total
Assets								
Cash and balances with central banks	2,008,157	1,230,709	197,103	263,813	1,059,908	3,115,183	1,972,204	9,847,077
Due from banks and financial institutions	2,619,650	501,128	200,741	63,132	24,958	-	1,013,841	4,423,450
Loans to banks and financial institutions	-	11,800	91,295	-	-	-	663	103,758
Derivative financial instruments	-	-	-	-	-	-	62,611	62,611
Financial assets at fair value through profit or loss	394,862	201,641	1,205	93,250	21,058	14,794	217,451	944,261
Net loans and advances to customers at amortized cost	3,731,445	1,540,094	2,050,376	902,170	914,028	114,591	283,697	9,536,401
Net loans and advances to related parties at amortized cost	23,885	2,498	42	38	-	1,959	-	28,422
Debtors by acceptances	-	-	-	-	-	-	88,202	88,202
Financial assets at amortized cost	308,552	450,266	1,104,564	1,695,175	5,290,806	4,573,575	190,604	13,613,542
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	6,450	6,450
Total Assets	**9,086,551**	**3,938,136**	**3,645,326**	**3,017,578**	**7,310,758**	**7,820,102**	**3,835,723**	**38,654,174**
Liabilities								
Due to central banks	-	6,939	3,998	5,735	18,308	73,299	311	108,590
Repurchase agreements	36,310	-	-	-	-	-	86	36,396
Due to banks and financial institutions	254,042	112,312	41,724	-	-	-	377,958	786,036
Derivative financial instruments	-	-	-	-	-	-	71,340	71,340
Financial liabilities at fair value through profit or loss	-	-	3,032	-	-	-	-	3,032
Customers' deposits at amortized cost	22,055,039	3,377,571	2,679,266	314,025	254,803	4,149	5,188,977	33,873,830
Deposits from related parties at amortized cost	134,805	724	26	-	-	-	15,487	151,042
Engagements by acceptances	-	-	-	-	-	-	88,202	88,202
Other liabilities	-	79,772	-	-	-	-	539,097	618,869
Total liabilities	**22,480,196**	**3,577,318**	**2,728,046**	**319,760**	**273,111**	**77,448**	**6,281,458**	**35,737,337**
Total interest rate sensitivity gap	**(13,393,645)**	**360,818**	**917,280**	**2,697,818**	**7,037,647**	**7,742,654**	**(2,445,735)**	**2,916,837**

51.3.2 Currency risk

Foreign exchange (or currency) risk is the risk that the value of a portfolio will fall as a result of changes in foreign exchange rates. The major sources of this type of market risk are imperfect correlations in the movements of currency prices and fluctuations in interest rates. Therefore, exchange rates and relevant interest rates are acknowledged as distinct risk factors.

The Central Bank of Lebanon allows the Bank to maintain a net open FX position, receivable or payable, that does not exceed at any time 1% of total net equity on condition that the global open FX position does not exceed 40% of total net equity. This is subject to the Bank's commitment to comply in a timely and consistent manner with the required solvency rate.

The following tables present the breakdown of assets and liabilities by currency:

		2014 Foreign currencies in Lebanese Lira				
LL Million	Lebanese Lira	US Dollar	Euro	Other foreign currencies	Total foreign currencies	Total
Assets						
Cash and balances with central banks	3,681,886	6,005,613	2,102,192	1,360,858	9,468,663	13,150,549
Due from banks and financial institutions	136,974	2,733,211	648,951	1,055,852	4,438,014	4,574,988
Loans to banks and financial institutions	43,258	48,356	3,674	-	52,030	95,288
Derivative financial instruments	75,574	32,177	24	1,459	33,660	109,234
Financial assets at fair value through profit or loss	40,111	471,137	7,140	274,192	752,469	792,580
Net loans and advances to customers at amortized cost	2,120,579	5,830,561	323,631	2,108,840	8,263,032	10,383,611
Net loans and advances to related parties at amortized cost	5,693	16,350	1,061	9,575	26,986	32,679
Debtors by acceptances	176	114,755	17,536	8,703	140,994	141,170
Financial assets at amortized cost	6,335,111	3,860,547	19,427	1,820,844	5,700,818	12,035,929
Financial assets at fair value through other comprehensive income	-	648	28	6,629	7,305	7,305
Property and equipment	384,710	558	42,037	192,320	234,915	619,625
Intangible assets	841	59	71	1,519	1,649	2,490
Assets obtained in settlement of debt	(1,893)	4,739	-	17,043	21,782	19,889
Other assets	66,992	36,928	4,836	45,471	87,235	154,227
Goodwill	-	-	-	52,214	52,214	52,214
Total Assets	**12,890,012**	**19,155,639**	**3,170,608**	**6,955,519**	**29,281,766**	**42,171,778**
Liabilities						
Due to central banks	375,068	-	-	9,827	9,827	384,895
Due to banks and financial institutions	2,588	396,285	115,773	126,655	638,713	641,301
Derivative financial instruments	68,488	7,945	12,616	3,572	24,133	92,621
Customers' deposits at amortized cost	10,159,538	18,407,900	2,513,002	4,918,486	25,839,388	35,998,926
Deposits from related parties at amortized cost	118,921	52,984	10,324	7,684	70,992	189,913
Engagements by acceptances	176	114,755	17,536	8,703	140,994	141,170
Other liabilities	321,209	288,045	25,823	137,419	451,287	772,496
Provisions for risks and charges	90,243	13,001	7,354	36,780	57,135	147,378
Total Liabilities	**11,136,231**	**19,280,915**	**2,702,428**	**5,249,126**	**27,232,469**	**38,368,700**
Net Exposure	**1,753,781**	**(125,276)**	**468,180**	**1,706,393**	**2,049,297**	**3,803,078**

LL Million	Lebanese Lira	2013 Foreign currencies in Lebanese Lira: US Dollar	Euro	Other foreign currencies	Total foreign currencies	Total
Assets						
Cash and balances with central banks	3,490,010	3,570,902	1,546,631	1,239,534	6,357,067	9,847,077
Due from banks and financial institutions	110,198	2,702,036	647,563	963,653	4,313,252	4,423,450
Loans to banks and financial institutions	51,865	37,357	14,536	-	51,893	103,758
Derivative financial instruments	43,308	11,339	1,809	6,155	19,303	62,611
Financial assets at fair value through profit or loss	27,993	665,091	7,872	243,305	916,268	944,261
Net loans and advances to customers at amortized cost	1,860,415	5,288,167	462,732	1,925,087	7,675,986	9,536,401
Net loans and advances to related parties at amortized cost	2,522	15,185	1,103	9,612	25,900	28,422
Debtors by acceptances	-	60,025	22,116	6,061	88,202	88,202
Financial assets at amortized cost	5,808,960	6,226,813	104,251	1,473,518	7,804,582	13,613,542
Financial assets at fair value through other comprehensive income	-	648	31	5,771	6,450	6,450
Property and equipment	338,883	23,573	3,299	170,281	197,153	536,036
Intangible assets	586	74	213	2,068	2,355	2,941
Assets obtained in settlement of debt	(1,898)	4,742	-	20,670	25,412	23,514
Other assets	61,593	30,777	7,515	48,711	87,003	148,596
Goodwill	-	-	-	53,833	53,833	53,833
Total Assets	**11,794,435**	**18,636,729**	**2,819,671**	**6,168,259**	**27,624,659**	**39,419,094**
Liabilities						
Due to central banks	104,703	-	-	3,887	3,887	108,590
Repurchase agreements	-	-	-	36,396	36,396	36,396
Due to banks and financial institutions	2,030	380,253	245,991	157,762	784,006	786,036
Derivative financial instruments	46,590	13,911	57	10,782	24,750	71,340
Financial liabilities at fair value through profit or loss	-	-	-	3,032	3,032	3,032
Customers' deposits at amortized cost	9,584,695	17,886,052	2,221,989	4,181,094	24,289,135	33,873,830
Deposits from related parties at amortized cost	97,294	42,378	5,684	5,686	53,748	151,042
Engagements by acceptances	-	60,025	22,116	6,061	88,202	88,202
Other liabilities	250,814	235,190	22,663	110,202	368,055	618,869
Provisions for risks and charges	82,989	14,916	1,807	41,199	57,922	140,911
Total Liabilities	**10,169,115**	**18,632,725**	**2,520,307**	**4,556,101**	**25,709,133**	**35,878,248**
Net Exposure	**1,625,320**	**4,004**	**299,364**	**1,612,158**	**1,915,526**	**3,540,846**

Group's sensitivity to currency exchange rates

The table below shows the currencies to which the Group had significant exposure at 31 December on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Lebanese Lira, with all other variables held constant, on the consolidated income statement (due to the potential change in fair value of currency sensitive monetary assets and liabilities). A negative amount reflects a potential net reduction in income while a positive amount reflects a net potential increase.

	2014		2013	
Currency	Change in currency rate %	Effect on profit before tax LL Million	Change in currency rate %	Effect on profit before tax LL Million
USD	**± 1%**	**3,232**	**± 1%**	**3,718**
EUR	**± 3%**	**2,197**	**± 3%**	**822**

51.3.3 Equity Price Risk

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. Equity price risk exposure arises from equity securities classified at fair value through profit or loss and at fair value through other comprehensive income. A 5 percent increase in the value of the Group's equities at 31 December 2014 would have increased other comprehensive income by LL 179 million and net income by LL 7,662 million (2013: LL 180 million and LL 7,155 million respectively). An equivalent decrease would have resulted in an equivalent but opposite impact.

51.3.4 Prepayment Risk

Prepayment risk is the risk that the Group incurs a financial loss because its customers and counterparties repay or request repayment earlier than expected, such as fixed rate housing loans when interest rates fall.

Market risks that lead to prepayments are not material with respect to the markets where the Group operates. Accordingly, the Group considers prepayment risk on net profits as not material after considering any penalties arising from prepayments.

51.4 Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

52. Capital Management

By maintaining an actively managed capital base, the Group's objectives are to cover risks inherent in the business, to retain sufficient financial strength and flexibility to support new business growth, and to meet national and international regulatory capital requirements at all times. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Central Bank of Lebanon according to the provisions of Basic Circular No 44. These ratios measure capital adequacy by comparing the Group's eligible capital with its statement of financial position assets and off-balance sheet commitments at a weighted amount to reflect their relative risk.

To satisfy Basel III capital requirements, the Central Bank of Lebanon requires maintaining the following ratios of total regulatory capital to risk-weighted assets for the year ended 31 December 2013 and thereafter:

	Common Tier 1 capital ratio	Tier 1 Capital Ratio	Total Capital Ratio
Year ended 31 December 2013	6.0 %	8.5 %	10.5 %
Year ended 31 December 2014	7.0 %	9.5 %	11.5 %
Year ended 31 December 2015	8.0 %	10.0 %	12.0 %

LL Million	2014	2013
Risk weighted assets		
Credit risk	17,292,857	16,422,593
Market risk	854,196	1,061,537
Operational risk	2,140,857	2,015,349
Total risk weighted assets	**20,287,910**	**19,499,479**

The regulatory capital as of 31 December is as follows:

LL Million	Excluding net income for the year		Including net income for the year less proposed dividends	
	2014	2013	2014	2013
Tier 1 Capital	3,129,586	2,904,163	3,434,396	3,246,290
Of which: Common Tier 1	*2,822,570*	*2,592,322*	*3,123,898*	*2,934,451*
Tier 2 Capital	15,928	17,406	21,130	18,345
Total Capital	**3,145,514**	**2,921,570**	**3,455,526**	**3,264,635**

The capital adequary ratio as of 31 December is as follows:

	Excluding net income for the year		Including net income for the year less proposed dividends	
	2014	2013	2014	2013
Capital adequacy – Common Tier 1	**13.91%**	**13.29%**	**15.40%**	**15.05%**
Capital adequacy - Tier 1	**15.43%**	**14.89%**	**16.93%**	**16.65%**
Capital adequacy -Total Capital	**15.50%**	**14.98%**	**17.03%**	**16.74%**

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from previous years, however, they are under constant scrutiny of the Board.


LEBANON
Headquarters (Beirut)

BLOM BANK GROUP DIRECTORY

Worldwide Correspondent Banks

Country	Correspondent Bank
Australia, Melbourne	National Australia Bank Ltd
Australia, Sydney	Commonwealth Bank of Australia
Bahrain, Manama	National Bank of Bahrain BSC
Canada, Toronto	Bank of Montreal
China, Beijing	Bank of China Limited
Denmark, Copenhagen	Danske Bank A/S
France, Paris	BLOM Bank France SA
Germany, Frankfurt am Main	Commerzbank AG
Germany, Frankfurt am Main	Deutsche Bank AG
Italy, Milan	Intesa Sanpaolo SpA
Italy, Milan	UniCredit SpA
Japan, Tokyo	Sumitomo Mitsui Banking Corporation
Japan, Tokyo	The Bank of Tokyo-Mitsubishi UFJ Ltd
KSA, Jeddah	The National Commercial Bank
KSA, Riyadh	Riyad Bank
Kuwait, Kuwait City	Gulf Bank KSC
Norway, Oslo	Dnb Bank ASA
Qatar, Doha	BLOM Bank Qatar LLC
Qatar, Doha	The Commercial Bank of Qatar (QSC)
Romania, Bucharest	BLOM Bank France SA
Spain, Barcelona	Banco de Sabadell SA
Spain, Madrid	Banco Bilbao Vizcaya Argentaria SA
Sweden, Stockholm	Skandinaviska Enskilda Banken AB
Switzerland, Geneva	BLOM Bank (Switzerland) SA
Switzerland, Zurich	Credit Suisse AG
Turkey, Istanbul	Yapi ve Kredi Bankasi AS
U.A.E, Abu Dhabi	National Bank of Abu Dhabi
U.A.E, Dubai	BLOM Bank France SA
U.K, London	BLOM Bank France SA
U.K, London	JPMorgan Chase Bank National Association
U.K, London	National Westminster Bank Plc
U.S.A, New York	Citibank NA
U.S.A, New York	Deutsche Bank Trust Company Americas
U.S.A, New York	JPMorgan Chase Bank National Association
U.S.A, New York	Standard Chartered Bank
U.S.A, New York	The Bank of New York Mellon
U.S.A, San Francisco	Wells Fargo Bank NA

Banks & Financial Subsidiaries

BLOM BANK SAL

SYRIA AND OVERSEAS FOR FINANCIAL SERVICES Ltd

BLOMINVEST BANK SAL

BLOM BANK EGYPT

BLOM DEVELOPMENT BANK SAL

BLOM EGYPT SECURITIES

BLOM BANK FRANCE

BLOMINVEST SAUDI ARABIA

BLOM BANK (SWITZERLAND) SA

BLOM BANK QATAR LLC

BANK OF SYRIA AND OVERSEAS SA

BLOM SECURITIES

Insurance Subsidiaries

AROPE INSURANCE

AROPE SYRIA
SYRIA INTERNATIONAL INSURANCE

AROPE INSURANCE EGYPT
BLOM Bank Group

Banks & Financial Subsidiaries

BLOM BANK SAL | LEBANON

Management

Refer to page 17 until 26 of this report for management.

Branch Network

HEADQUARTERS (BEIRUT)
Verdun, Rachid Karami St., BLOM BANK Bldg.
P.O.Box: 11-1912 Riad El-Solh, Beirut 1107 2807, Lebanon
Phone: (961-1) 743300 – 738938
Fax: (961-1) 738946
Email: blommail@blom.com.lb
Website: www.blombank.com

Beirut Branches

Main Branch
Verdun, Rachid Karami St., BLOM BANK Bldg.
Phone: (961-1) 743300 – 738938
Fax: (961-1) 343092
Principal Branch Manager: Mr. Walid ARISS

Ain El-Mreisseh
Ain El-Mreisseh, Ibn Sina St., Mashkhas Bldg.
Phone: (961-1) 372780 – 370830
Fax: (961-1) 370237
Senior Branch Manager: Mr. Mahmoud MARRACHE

Ashrafieh
Ashrafieh, Sassine Square, Michel Sassine Bldg.
Phone: (961-1) 200147/8
Fax: (961-1) 320949
Senior Branch Manager: Mrs. Denise Nasr Abi Raad JALKH

Ashrafieh Embassy
Ashrafieh, Iskandar St., Embassy II Bldg.
Phone: (961-1) 322391 -2/3/4
Fax: (961-1) 320591
Branch Manager: Mr. Nadim CHACHATI

Bab Idriss
Downtown Beirut, Bab Idriss, Weygand St., Semiramis Bldg.
Phone: (961-1) 991671/2-6
Fax: (961-1) 991670
Branch Manager: Dr. Gladys Younes KREIKER

Badaro
Badaro, Main St.Khoury Bldg.
Phone: (961-1) 615818/19/20/21
Fax: (961-1) 615825
Principal Branch Manager: Mr. Raoul CHERFAN

Bechara El Khoury
Bechara El Khoury Highway, Bozweir & Bdeir, Tower 951, Ground Floor
Phone: (961-79) 300594 - (961-76) 667791/2
Branch Manager: Mr. Weam DARWICH

Bliss
Ras Beirut, Bliss St., Al Rayess Bldg.
Phone: (961-1) 363742 - 363734
Fax: (961-1) 363732
Branch Manager: Mr. Wael KADI (AL)

Burj Abi Haidar
Burj Abi Haidar, Salim Salem Highway, Salam Tower
Phone: (961-1) 310687 – 310677/8
Fax: (961-1) 310679
Senior Branch Manager: Mr. Samer DAYA

Concord
Verdun, Rachid Karami St., BLOM BANK Bldg.
Phone: (961-1) 750160/1/2/3
Fax: (961-1) 738859
Branch Manager: Mr. Marwan NASSER

Hamra
Hamra, Abdel Aziz St., Monte Carlo Bldg., 2nd floor
Phone: (961-1) 346290/1/2/3 – 341955 -343503
Fax: (961- 1) 744407
Principal Branch Manager: Mr. Sami FARHAT

Hamra - Abdel Aziz
Hamra, Abdel Aziz St., Monte Carlo Bldg.
Phone: (961-1) 747752 /59 /60
Fax: (961-1) 747749
Branch Manager: Mr. Mohamad Masri SIDANI

Istiklal
Karakol Druze,Istiklal St., Salhab Bldg.
Phone: (961-1) 738050/1 - 749624
Fax: (961-1) 748337
Branch Manager: Mr. Chafic KOUSSA

Jnah
Bir Hassan, United Nations St., Jaber Bldg.
Phone: (961-1) 855903/4/5
Fax: (961-1) 855906
Principal Branch Manager: Mr. Abbas KALOT

Maarad
Downtown Beirut, Emir Bechir St., Hibat el Maarad Bldg.
Phone: (961-1) 983230/1/2/3
Fax: (961-1) 983234
Senior Branch Manager: Mr. Amer KAMAL

Mar Elias
Corniche El Mazraa -Main St., Zantout Bldg.
Phone: (961-1) 818616/7/8
Fax: (961-1) 818009
Branch Manager: Mrs. Nahida Mehdi WEHBE

Mazraa
Corniche El Mazraa, Barbir Square, Majdalani Bldg.
Phone: (961-1) - 664337 648021/2
Fax: (961-1) 648020
Branch Manager: Mr. Omar HALABI (EL)

Mina El Hosn
Mina El Hosn, Adnan El Hakim St., Beirut Tower Bldg.
Phone: (961-1) 365234/5/6/7
Fax: (961-1) 365230
Principal Branch Manager: Mr. Samer BOHSALI

Noueiri
Noueiri, Al Noueiri Station, Hamada Bldg.
Phone: (961-1) 658611 – 658610
Fax: (961-1) 630319
Branch Manager: Mr. Wassim FAHS

Raouche
Raoucheh Blvd, Al Rayess & Bou Dagher Bldg.
Phone: (961-1) 812603/4/5/6
Fax: (961-1) 801634
Senior Branch Manager: Mr. Yehia ORFALI

Rmeil
Rmeil, Saint George Hospital St., Medica Center Bldg.
Phone: (961-1) 565454 – 567140
Fax: (961-1) 565252
Branch Manager: Mrs. Salma Rbeiz ACHKOUTY

Saifi
Saifi, Al Arz St., Akar Bldg.
Phone: (961-1) 566794 – 587196
Fax: (961-1) 581683
Senior Branch Manager: Mr. Laurent CHEBLI

Sanayeh
Sanayeh, Spears St., Chamber of Commerce & Industry Bldg.
Phone: (961-1) 346042/3 – 748339
Fax: (961-1) 738404
Branch Manager: Mr. Abbas TANNIR (AL)

Sodeco
Sodeco, Damascus Road, Sodeco Square Tower
Phone: (961-1) 611360/1/2
Fax: (961-1) 423805
Branch Manager: Mrs. Souraya Bshouty BOULOS

Tabaris
Tabaris, Gebran Tueini Square, Sursock Tower
Phone: (961-1) 203142/3/4
Fax: (961-1) 203145
Principal Branch Manager: Ms. Claire ABOU MRAD

Tariq Al-Jedideh
Tariq Al-Jedideh, Al Malaab Al Baladi Square, Salim Bldg.
Phone: (961-1) 818621 – 816985 – 309959
Fax: (961-1) 818620
Branch Manager: Mr. Khodor MNEIMNEH

Verdun
Verdun, Takieddine Solh St., Ghalayini Bldg.
Phone: (961-1) 788412/3 – 800081
Fax: (961-1) 800032
Branch Manager: Mr. Marwan PHARAON

Mount Lebanon Branches

Ain El-Remaneh
Ain El-Remaneh, Lamaa St., Gharious Bldg.
Phone: (961-1) 386750/1/2
Fax: (961-1) 386753
Branch Manager: Mr. Georges NASSIF

Airport Road
Ghobeyri, Airport Road – Facing Zaarour Center
Phone: (961-70) 475299 – (961-76) 649607/8/9
Branch Manager: Mr. Ezzat MELHEM

Aley
Aley, Al Balakine St., Faysal Sultane Wahab Bldg.
Phone: (961-5) 556612/3
Fax: (961-5) 556614
Senior Branch Manager: Mrs. May Abou Alwan BOU ALWAN

Antelias
Antelias, Rahbani St., Kheirallah Bldg.
Phone: (961-4) 411472 – 520210 – 411418 – 410123
Fax: (961-4) 523666
Senior Branch Manager: Mr. Bassem MERHEJ

Aramoun
Aramoun, Main Road, Zaynab Center
Phone: (961-5) 808591/2/3
Fax: (961-5) 808594
Principal Branch Manager: Mrs. Nawal Merhi ABOU DIAB

Baabda
Baabda, Main Road, 610 Bldg., Block A
Phone: (961-5) 921869/70/1/2/4
Fax: (961-5) 921864
Branch Manager: Mr. Jad RAAD

Broumana
Broumana, Main St., BLOM BANK Bldg.
Phone: (961-4) 862263/4
Fax: (961-4) 862265
Branch Manager: Mr. Paul TOUMA

Burj Al-Barajneh
Burj Al-Barajneh, Ain El Sekka St., Rahal Bldg.
Phone: (961-1) 450381/2/3 – 450446
Fax: (961-1) 450384
Branch Manager: Mr. Rabih CHDID

Burj Hammoud
Burj Hammoud, Armenia St., Harboyan Center
Phone: (961-1) 262067 – 266337/8
Fax: (961-1) 259061
Branch Manager: Mr. Youssef HOMSI

Chiyah
Chiyah Blvd, Ariss St., Orient Center Bldg.
Phone: (961-1) 270172/3/4 - 275783
Fax: (961-1) 270064
Principal Branch Manager: Mr. Abbas TLAIS

Choueifat
Al Omaraa, Main Road, Mouhtar & Haidar Bldg.
Phone: (961-5) 433203/6
Fax: (961-5) 433208
Branch Manager: Mr. Marwan MOHTAR

Dbayeh
Dbayeh Highway, Victoria Center, Ground Floor
Phone: (961-4) 520425/6/7/8
Fax: (961-4) 520432
Branch Manager: Mrs. Rita NEHME

Dekwaneh
Dekwaneh, Main St., Mohanna Center
Phone: (961-1) 686072- 686035/6
Fax: (961-1) 686095
Branch Manager: Mr. Farid ZOGHBI

Dora
Dora, Main Highway, Banking Center Bldg.
Phone: (961-1) 256527/28/32
Fax: (961-1) 256522
Branch Manager: Mr. Georges MAMO

Elissar
Elissar, Main Road, Villa Marie Bldg.
Phone: (961-4) 916111/2/3/4
Fax: (961-4) 916115
Senior Branch Manager: Mr. Joseph Francois GHOUSSOUB

Furn el Chebbak
Furn El Chebbak, Main St., Abraj Center
Phone: (961-1) 293810/3
Fax: (961-1) 293816
Branch Manager: Mr. Ronald FARAH

Ghobeyri
Ghobeyri, Chiah Blvd – Tohme & Jaber & Kalot Bldg.
Phone: (961-1) 825509 – 825870
Fax: (961-1) 820153
Senior Branch Manager: Mrs. Majida Alameh MIKATI

Hadath
Hadath, Sfeir district, Hoteit Bldg.
Phone: (961-5) 461506 - 461438
Fax: (961-5) 461815
Branch Manager: Mr. Hani HAMMOUD

Haret Hreik
Haret Hreik, Sayyed Hadi Nasrallah Highway, Abou Taam & Hoteit Bldg.
Phone: (961-1) 543662 – 543658/9
Fax: (961-1) 543661
Senior Branch Manager: Dr. Hassan JABAK

Hazmieh
Hazmieh, Damascus Road,Chahine Center
Phone: (961-5) 955241/2/3/4
Fax: (961-5) 955240
Principal Branch Manager: Mr. Ziad KAREH

Jbeil
El Berbara, Voie 13, Byblos Canari Bldg.
Phone: (961-9) 943701/2/3
Fax: (961-9) 943704
Branch Manager: Mr. Yves KHOURY (EL)

Jdeideh
Jdeideh,New Jdeideh St., Etoile Center
Phone: (961-1) 889 351/2 – 889360
Fax: (961-1) 889363
Branch Manager: Mrs. Aline Sakr BOU ZERDANE

Jounieh
Jounieh, Saraya St., Executive Center Bldg.
Phone: (961-9) 638012/3/4
Fax: (961-9) 638011
Senior Branch Manager: Mr. Rachad YAGHI

Kaslik
Kaslik, Main St., Debs Center
Phone: (961-9) 640273 – 640095 – 636998/9
Fax: (961-9) 831113
Principal Branch Manager: Mr. Charles AOUDE

Kfarhbab
Kfarhbab, Main St., Oueiss Center
Phone: (961-9) 856810/1/2/3/4
Fax: (961-9) 856820
Branch Manager: Mr. Zakhia SARKIS

Mansourieh
Mansourieh, New Main Highway, Dar El Ain Plaza Bldg.
Phone: (961-4) 532856/7/8
Fax: (961-4) 532854
Branch Manager: Mr. Ziad SROUGI

Sin El Fil
Sin El Fil, Fouad Chehab Avenue, Far Vision Center
Phone: (961-1) 485270/1/2
Fax: (961-1) 485273
Senior Branch Manager: Mr. Fadi MIR (EL)

Sin El Fil – Horsh Tabet
Horsh Tabet, Charles De Gaulle St., Tayar Center
Phone: (961-1) 489733 – 489750/7
Fax: (961-1) 489739
Branch Manager: Mr. Eddy EID

Zalka
Zalka, Main St, BLOM BANK Bldg.
Phone: (961-4) 713074/5/6 – 723074/5
Fax: (961-4) 713077
Senior Branch Manager: Mr. Walid LABBAN

Zouk Mosbeh
Zouk Mosbeh, Main Road, Le Paradis Centre
Phone: (961-9) 226991/2/3/4/5
Fax: (961-9) 226990
Branch Manager: Mrs. Marlène Mezraany ABOU NAJM

North Lebanon Branches

Amioun
Amioun, Main Road, Nassif Bldg.
Phone: (961-6) 951801/2/3
Fax: (961-6) 951813
Branch Manager: Mrs. Ralda Rouss AZAR

Tripoli Abi Samra
Tripoli Abi Samra,Al-Dinnawi Square, Khaled Darwiche Bldg.
Phone: (961-6) 423565/6/7/8
Fax: (961-6) 423569
Branch Manager: Mrs. Salwa Ajaj MERHI

Tripoli – Azmi
Tripoli, Azmi St., Fattal Bldg.
Phone: (961-6) 433064 – 443550/1/2
Fax: (961-6) 435947
Branch Manager: Mr. Fouad HAJJ

Tripoli – Al Tell
Tripoli Al Tell, Abdel Hamid Karameh Square, Ghandour Bldg.
Phone: (961-6) 430153 – 628200/1/2
Fax: (961-6) 431624
Senior Branch Manager: Mr. Chaina ASSI

Tripoli Boulevard
Boulevard St., Near Banque du Liban, 1st Flr.
Phone: (961-78) 880058/68 - (961-76) 181145/6
Branch Manager: Mr. Wassim BAGHDADI

Tripoli - Zahrieh
Tripoli Zahrieh, Al Tall St., Alam AL Din & Bissar Bldg.
Phone: (961-6) 430150/2 – 423414/5
Fax: (961-6) 430151
Branch Manager: Mr. Adel THAMINE

Bekaa Branches

Chtaura
Chtaura-Main St., Najim El Din Bldg.
Phone: (961-8) 540078 - 544330 - 544914
Fax: (961-8) 542504
Branch Manager: Mr. Marwan CHAKRA

Jib Jinnine
Jib Jinnine, Main Road, Chibli Al Hajj Bldg.
Phone: (961-8) 661951 - 660942
Fax: (961-8) 661092
Branch Manager : Mr. Kamel ABDOUNI

Zahleh
Zahleh, Manara Center, Fakhoury & Kfoury Bldg.
Phone: (961-8) 807681/2-3-4
Fax: (961-8) 807680
Branch Manager: Mrs. Sabine Rbeiz KASSIS

South Lebanon Branches

Nabatiyeh
Nabatiyeh, Hassan Kamel Al Sabbah St., Office 2000 Bldg.
Phone: (961-7) 767854/5/6
Fax: (961-7) 767857
Branch Manager: Mr. Hussein CHAMOUN

Saida
Saida,Riad Solh St., Al Zaatari & Fakhoury & Bizri Bldg.
Phone: (961-7) 724866 – 723266
Fax: (961-7) 722801
Principal Branch Manager: Mr. Majdi HAMMOUD

Saida Boulevard
Saida, Boulevard Square, Al Saoudi Bldg.
Phone: (961-7) 730976 - 730879
Fax: (961-7) 736299
Branch Manager: Mr. Wafic BABA (AL)

Tyr
Tyr, Jal El Baher St., BLOM BANK Bldg.
Phone: (961-7) 740900 – 741649
Fax: (961-7) 348487
Senior Branch Manager: Mrs. Maysaa Arab RAHAL

Tyr - Abbassieh
Tyr Al Abbassieh, Jal El Baher St., BLOM BANK Bldg.
Phone: (961-7) 350861/2/3/4 – 350841/2/3
Fax: (961-7) 350865
Branch Manager: Mr. Ali Daoud HAMADEH

Tyr – Athar
Tyr Al Athar, Al Istiraha St., Tajjudin Bldg., Ground Flr.
Phone: (961-70) 584381 - (961-3) 006617/8/9
Branch Manager: Mr. Marwan CHAB (AL)

JORDAN

Management

General Management	
Dr. Adnan AL ARAJ	Regional Manager
Mr. Adnan SALLAKH	Consultant for General Management in Lebanon
Mr. Moder KURDI	Assistant Regional Manager / Credit
Mr. Muhannad AL BALBISSI	Assistant Regional Manager/ Finance
Mr. Omar ABDULLAH	Assistant Regional Manager / Head of Retail Banking
Mr. Ashraf Al QUDAH	Treasury & Investments Manager
Mr. Hani DIRANI	Legal Department Manager
Mr. Said OBEIDALLAH	Internal Audit Manager
Mr. Muhannad ABYAD	Head of Information Technology
Mr. Nabil OBALI	Head of Risk Management
Mr. Maan ZOABI	Head of Compliance
Mr. Muhannad YOUNIS	Central Operation Manager
Mr. Nart LAMBAZ	Trade Finance Manager
Mr. Maher AL AMASH	Head of Quality Control
Mr. Ahmad AL FROUKH	Personnel Manager
Ms. Mona KHOUZAI	Training Manager
Mr. Shadi JBOUR	Retail Credit Manager
Mr. Ahmad QAISIEH	Corporate Credit Manager
Ms. Abeer BATAINEH	Head of IS Security Unit

Network

REGIONAL MANAGEMENT (AMMAN)
18 Al Sharif Abdel Hamid Sharaf St.
P.O. Box 930321 Shmeisani ,Amman
111 93, Jordan
Phone: (962-6) 5001200
Fax: (962-6) 5677177
Call Center: (962-6) 5001222
Email: blommail@blom.com.jo
Website: www.blombank.jo

Abdoun
Princess Basmah St., Essam Al-Khateeb complex, Bldg. #2
Phone: (962-6) 5929663
Fax: (962-6) 5929662
Email: abdoun@blom.com.jo
Branch Manager: Mr. Marwan SALAH

Al Abdali
Al Abdali St., Jouba Bldg.
Phone: (962-6) 5696566
Fax: (962-6) 5693955
Email: abdali@blom.com.jo
Branch Manager: Mr. Zaid BITAR

Aqaba
Sherif Shaker Ben Zeid St.
Phone: (962-3) 2019340
Fax: (962-3) 2019318
Email: aqaba@blom.com.jo
Branch Manager: Mr. Shady Adel AL FAKHOURY

Irbid
Irbid King Abdallah the second St.,
Al-Qubba Circle, Bldg. #4
Phone: (962-2) 7240006
Fax: (962-2) 7240057
Email: Irbid@blom.com.jo
Branch Manager: Mr. Ahmad DABAAN

Jubeiha
20 Yajouz St., Bldg. #20
Phone: (962-6) 5336653
Fax: (962-6) 5336657
Email: jubeiha@blom.com.jo
Branch Manager: Mr. Ammar SAIDI

Mecca Street
Mecca St., Al Husseine Complex, Bldg #152
Phone: (962-6) 5503130
Fax: (962-6) 5521347
Email: mecca@blom.com.jo
Branch Manager: Mr. Raed JUDEH

Shmeisani
Al Sharif Abdel Hamid Sharaf St., Bldg. #18
Phone: (962-6) 5001200
Fax: (962-6) 5605652
Email: shmeisani@blom.com.jo
Branch Manager: Mr. Abed Aljawad OWAISI

Sweifieh
Abed Al Rahim Al Hajj Mohammad St., Bldg. #67
Phone: (962-6) 5865527
Fax: (962-6) 5865346
Email: sweifieh@blom.com.jo
Branch Manager: Mr. Jamal MOMANI

Taj
Abdoun, Jordan, Taj Mall Center
Phone: (962-6) 5931912
Email: taj@blom.com.jo
Branch Manager: Mr. Aws TAHBOB

WadiSaqra
WadiSaqra St., Al Reem Complex, Bldg. #244
Phone: (962-6) 5687333
Fax: (962-6) 5687888
Email: wadisaqra@blom.com.jo
Branch Manager: Mr. Eyad ADI

Wihdat
Al Amir Hassan St., OumHeiran, BLdg. #453
Phone : (962-6) 4750050
Fax : (962-6) 4750055
Email : wihdat@blom.com.jo
Branch Manager : Mr. Eyad GHAITH

Zarqa
Zarqa, Free Zone Gate 1
Phone: (962-5) 3824921
Fax: (962-5) 3823931
Email: freezone@blom.com.jo
Branch Manager: Mr. Ala'a AHMAD

Tareq
EbnSahnoon St.,
Phone : (962-6) 5055231
Fax : (962-6) 5055231
Email : tareq@blom.com.jo
Branch Manager : Mr. Hussein Al HELO

Khalda
Wasef Al Tal St, Opposite to Sedeen Hotel., Bldg.#25
Phone : (962-6) 5344641
Fax : (962-6)5344217
Email : khalda@blom.com.jo
Branch Manager : Mr. Omar ABU ASSAF

BLOM BANK SAL | Cyprus

Management

Management	
Mr. Ziad EL MORR	Country Manager

Network

205Z Makarios Avenue, Victory House Bldg., 3030 Limassol - Cyprus
P.O Box: 53243, 3301 Limassol
Phone: (357-25) 376433/4/5
Fax: (357-25) 376292
Email: blom@blom.com.cy
Website: www.blombank.com

BLOM BANK SAL | Abu Dhabi

Management

Management	
Mr. Ramzi AKKARI	Chief Representative

Network

Representative Office
Etihad Towers, Tower 3, Floor 20, Corniche, Abu Dhabi - UAE
P.O.Box: 63040
Phone: (971-2) 6676100
Fax: (971-2) 6676200
Email: blombank@blombankad.ae
Website: www.blombank.com

BLOM BANK SAL | Iraq

Management

Management	
Mr. Ali CHREIF	Authorized Manager for Baghdad
Mr. Georges CHEDID	Senior Manager for Erbil

Network

Baghdad
Karada Kharej - Zone 905 - #9 St. - #1 Bldg.
Phone: (964) 7809288690/1/2/3
Authorized Manager: Mr. Ali CHREIF
Website: www.blombank.com

Erbil
Erbil - #60 St. Near Iskan Intersection - BLOM BANK Bldg.
Phone: (964) 751 016 1500/ 1/2/3
Senior Manager: Mr. Georges CHEDID
Website: www.blombank.com

BLOMINVEST BANK S.A.L

General Management

Board of Directors	
Mr. Saad AZHARI	Chairman & General Manager
Messrs. BLOM BANK S.A.L	Member
Mr. Samer AZHARI	Member
Mr. Marwan JAROUDI	Member
Mr. Joseph Emile KHARRAT	Member
Mr. Nicolas SAADE	Member
General Management	
Mr. Saad AZHARI	BLOMINVEST BANK Chairman & General Manager
Dr. Fadi OSSEIRAN	General Manager
Mr. Michel CHIKHANI	Assistant General Manager, Head of Asset Management
Mr. Elie CHALHOUB	Senior Manager
Mr. Georges ABBOUD	Head of Private Banking
Mr. Marwan ABOU KHALIL	Head of Capital Markets
Me. Sandra BOUSTANY	Legal Affairs
Mr. Marc EL-HAGE	Head of Business Development
Mr. Walid KADRI	Head of Strategic Planning & Organization
Ms. Lara KANJ	Head of Real Estate Unit
Mr. Joseph MATTA	Head of Internal Audit
Mr. Marwan MIKHAEL	Head of Research
Mr. Alexandre MOURADIAN	Head of Investor Relations
Mr. Ramzi TOHME	Head of Operations
Dr. Ali BOLBOL	Economic Advisor

Network

HEADQUARTERS (BEIRUT)
Wygand St., Semiramis Bldg.
P.O. Box: 11-1540, Riad El Solh, Beirut Lebanon
Email: blominvest@blominvestbank.com
Website: www.blominvestbank.com

BLOM DEVELOPMENT BANK SAL

General Management

Board of Directors	
Mr. Amr AZHARI	Chairman & General Manager
Mr. Saad AZHARI	Member
Mr. Marwan JAROUDI	Member
Mr. Karim BAALBAKI	Member
Mr. Nicolas SAADE	Member
Mr. Habib RAHAL	Representing BLOM BANK S.A.L.
Dr. Fadi OSSEIRAN	Representing BLOMINVEST BANK S.A.L.
General Management	
Mr. Amr AZHARI	Chairman & General Manager
Mr. Mouataz NATAFGI	General Manager
Mr. Habib EL HAJJAR	Credit & Retail Manager
Mr. Ibrahim EL KHALIL	Operation Manager
Mr. Mazen EL KOUCH	Trade Finance & payment System Manager
Mr. Tarek HOUSSAMI	Main Branch Manager
Mr. Kamil KASSIR	Tripoli Branch Manager
Mrs. Mona KOTOB	Saida Branch Manager

Network

HEADQUARTERS (BEIRUT)
Hamra, Abdel Aziz St., Daher Bldg.
Phone: (961-1) 751090/1/2/3
Fax: (961-1) 751094
Email: info@blomdevelopmentbank.com
Website: www.blomdevelopment.com
Branch Manager: Mr. Tarek HOUSSAMI

Tripoli
Al Mina Road, Al Ahli Bldg.
Phone: (961-6) 429101/2/3
Fax: (961-6) 429104
Email: bdb.Tripoli @blomdevelopmentbank.com
Branch Manager: Mr. Kamil KASSIR

Saida
Riad el Solh St., Zaatar, Bldg., 4th Flr.
Phone: (961-7) 727698 – 729362
Fax: (961-7) 731256
Email: saida@blomdevelopmentbank.com
Branch Manager: Mrs. Mona KOTOB

BLOM BANK FRANCE

Management

Board of Directors	
Mr. Samer AZHARI	Chairman & General Manager
Dr. Naaman AZHARI	Honorary President
Mr. Amr AZHARI	Permanent Representative of BLOM BANK S.A.L.
HE Sheikh Ghassan SHAKER *(Grand Officier de la Légion d'Honneur)*	Member
Mr. Christian DE LONGEVIALLE	Member
Mr. Jean-Paul DESSERTINE	Member
Mr. Marwan JAROUDI	Member
General Management	
Mr. Samer AZHARI	Chairman & General Manager
Mr. Michel ADWAN	Deputy Chief Executive Officer
Mr. Iskandar ARAMAN	Country Manager – Paris
Mr. Amr TURK	Country Manager – London
Mr. Michel NAJARRE	Country Manager – UAE
Mr. Jean-Pierre BAAKLINI	Country Manager – Romania
Mr. Xavier ELLUIN	Risk Manager
Mr. Marc ABOU-KHALIL	Audit Manager

Network

HEADQUARTERS (PARIS)
21 avenue George V
75008 Paris - FRANCE
Phone: (33-1) 44 95 06 06
Fax: (33-1) 44 95 06 00
Email: blomfrance@blomfrance.fr
Website: www.blomfrance.com
Country Manager: Mr. Iskandar ARAMAN

UNITED ARAB EMIRATES

Dubai
Deira, Al Maktoum St., Sheikh Ahmad Ben Rached al Maktoum Bldg.
Phone: (971-4) 2307230
Fax: (971-4) 2236260
Email : info@blomfrance.ae
Branch Manager: Mr. Eddy BECHARA

Jebel Ali (Electronic Branch)
Ground Floor, Bldg. 4, The Galleries
Jebel Ali, Dubai
Phone: (971-4) 8849311
Fax: (971-4) 8849388
Email : info.ja@blomfrance.ae

Sharjah
Khaled Lagoon, Corniche al Buhairah, Sheikh Nasser Bin Hamad al Thani Bldg.
Phone: (971-6) 5736700 – 5736100
Fax: (971-6) 5736080
Email: info.shj@blomfrance.ae
Branch Manager: Mr. Fouad ATTAR

UNITED KINGDOM

London
193-195 Brompton Road, London SW3 1LZ, England
Phone: (44-20) 75907777
Fax: (44-20) 78237356
Email: blom@blombanklondon.co.uk
Country Manager: Mr. Amr TURK

ROMANIA

HEADQUARTERS (BUCHAREST)
66 Unirii Blvd., Bloc K3, S+P+M, 3rd District, Bucharest, Romania 030835
Phone: (40-21) 3027201
Fax: (40-21) 3185214
Email: unirii@blombank.ro
Country Manager: Mr. Jean-Pierre BAAKLINI

Branches in Romania

Unirii - Customer Desk
66 Unirii Blvd., Bloc K3, S+P+M, 3rd District, Bucharest, Romania 030835
Phone: (40-21) 3027201
Fax: (40-21) 3185214
Email: unirii@blombank.ro
Head of Operations: Mrs. Florentina DELA

Victoria
72 Buzesti St., 1st District, Bucharest, Romania 011017
Phone: (40-21) 3154205/6
Fax: (40-21) 3154208/9
Email: victoria@blombank.ro
Branch Manager: Mr. Marius VOICULE□

Constanta
25 bis Mamaia Blvd., Constan□a, Romania 900189
Phone: (40-241) 510950
Fax: (40-241) 510951
Branch Manager: Mr. Mihai BUTCARU

BLOM BANK (SWITZERLAND) SA

Management

Board of Directors	
Dr. Naaman AZHARI	Honorary Chairman
Mr. Saad AZHARI	Chairman
Mr. André CATTIN	Vice Chairman
Mr. Jean Paul DESSERTINE	Member
Dr. Werner FREY	Member
Me. Peter de la GANDARA	Member
Mr. Ahmad SHAKER	Member
General Management	
Mr. Antoine MAZLOUM	General Manager
Mrs. Eléonore DAESCHER	Manager
Mr. Salim DIAB	Manager
Mr. Jean-Marc REBOH	Manager
Mr. Ziad YOUNES	Deputy Manager

Network

HEADQUARTERS (GENEVA)

1, Rue de la Rôtisserie
P.O. Box: 3040 -1211 Geneva 3 – Switzerland
Phone: (41-22) 8177100
Fax: (41-22) 8177190
Email: dir.administr@blombank.ch
Website: www.blombank.ch

BANK OF SYRIA AND OVERSEAS S.A

Management

Board of Directors	
Dr. Ahmad Rateb AL SHALLAH	Chairman of the Board
Dr. Ihsan BAALBAKI	Vice Chairman
BLOM Bank represented by Mr. Amr AZHARI	Executive Board Member
BLOM Bank represented by Mr. Samer AZHARI	Board Member
BLOM Bank represented by Mr. Georges SAYEGH	Executive Board Member
Miss. Nada CHEIKH DIB	Board Member
Mr. Fahd TFENKJI	Board Member
Mr. Iyad BETINJANEH	Board Member
Mr. Mohamad Nizar MAMISH	Board Member
Mr. Mohamed Adib JOUD	Board Advisor
Mr. Michel AZZAM	Board Secretary
General Management	
Mr. Michel AZZAM	General Manager
Mr. Sameer BASSOUS	Deputy General Manager
Mr. Salem MAHMOUD	Senior Manager, Information Technology
Mrs. Rima JAWAD ZEIN	Senior Manager, Human Resources
Mrs. Inaya SOUBRA	Senior Manager, International
Mr. Firas SAMMAN	Information Technology
Mr. Samir ASMAR	Administration
Mr. Ziad KAMAL AL DEEN	Compliance

Network

HEADQUARTERS (DAMASCUS)
Harika, Bab Barid, Lawyers' Syndicate Bldg.
P.O. Box: 3103 Damascus, Syria
Phone: (963-11) 2260560
Fax: (963-11) 2260555
Email: bsomail@bso.com.sy
Website: www.bso.com.sy

DAMASCUS

Harika
Harika, Bab Barid, Lawyers' Syndicate Bldg.
Phone: (963-11) 2260560
Fax: (963-11) 2260555
Branch Manager: Mr. Eyad EL SATI

Nejmeh Square
Nejmeh Square, Parliament St.
Phone: (963-11) 3344001
Fax: (963-11) 3344021
Branch Manager: Mr. Rami AL BESHARA

Kassaa
Kassaa, Burj El Rouss
Phone: (963-11) 5431350
Fax: (963-11) 5431360
Branch Manager: Mr. Habib SAYEGH

Mezzeh
Mezzeh Highway, Next to Al Razy Hospital
Phone: (963-11) 6132411
Fax: (963-11) 6132409
Branch Manager: Mr. Tarek SHIHAB

Kafarsusseh
Damasquino Mall
Phone: (963-11) 2143701
Fax: (963-11) 2143705
Branch Manager: Mrs. Hadil DIB

Mazraa
Al Malek Al Adel St.
Phone: (963-11) 4430140
Fax: (963-11) 4430145
Acting Branch Manager: Mr. George FAYAD

Midan
Ghawas
Phone: (963-11) 8838971
Fax: (963-11) 8838975
Branch Manager: Ms. Iman OBEID

Adraa (temporarily closed)
Adra Industrial City, Near the Administrative Building of the Industrial city.
Phone: (963-11) 5851350
Fax: (963-11) 5851360

Rawda
Nouri Bacha Square
Phone: (963-11) 3314560
Fax: (963-11) 3314565
Branch Manager : Mrs. Talar KECHICHIAN

Free Zone
Damasus, Free Zone
Phone: (963-11) 2133170
Fax: (963-11) 2133173
Branch Manager : Mr. Rami AL- BESHARA

ALEPPO

Azizieh
Majd El Dine Al Jabiri St.
Phone: (963-21) 2126081/0219960
Fax: (963-21) 2125197
Branch Manager: Mr. Amr KAYAL

Medineh (temporarily closed)
Saba' Bahrat St.
Phone: (963-21) 3335277/0219961
Fax: (963-21) 3335377

Muhafaza
Al-Muhafaza, Al Kahira St.
Phone: (963 21) 2665022/0219962
Fax: (963 21) 2665035
Acting Branch Manager: Ms. Dalia ABDUALKAREEM

Sulaimanieh
Sulaimanieh St.
Phone: (963-21) 4611102/0219963
Fax: (963-21) 4611107
Branch Manager: Mr. Mohamad ISMAIL KASSABJI

Town Mall (temporarily closed)
Kafr Hamra, Azaz Road
Phone: (963-21) 2521020/0219967
Fax: (963-21) 2521025

Al Sheikh Najjar (temporarily closed)
Sheikh Najjar Industrial City- Banks Area
Phone: (963-21) 4716600
Fax: (963-21) 4716605

Fourkan (temporarily closed)
Express St., Syriatel Avenue
Phone: (963–21) 2645820
Fax: (963-21) 2645825
Acting Branch Manager: Mr. Mohamad Zakwan AL-KHATIB

LATTAKIA

Al Kamilia Area, March 8th St.
Phone: (963-41) 452516/0413010
Fax: (963-41) 452573
Branch Manager: Mr. Zafer WAZZAN

HAMA

Hama
Al Kouatly St.
Phone: (963-33) 2213834/0339960
Fax: (963- 33) 2213833
Branch Manager: Mr. Morhaf AL SHAKAKI

Mharda
New Church St.
Phone: (963-33) 4742070
Fax: (963- 33) 4742075
Acting Branch Manager : Mr. Firas BASSEEL

TARTOUS

Al Thawra St. – Facing Palestine Station
Phone: (963-43) 227474/0439960
Fax: (963-43) 226869
Branch Manager: Mr. Chamel EL MAKARI

HOMS

City Center (temporarily closed)
City Center Bldg.
Phone: (963-31) 2453925/0319960
Fax: (963-31) 2453936

Hussia
Hussia Industrial city – Banks Area- Behind the Aministrative Building of the Industrial city
Phone: (963-31) 5360730
Fax: (963-31) 5360735

Mahata (temporarily closed)
Mahata area, Basel El Assad St.- Facing the old party branch
Phone: (963-31) 2131200
Fax: (963-31) 2131251
Branch Manager: Mr. Khaled ZAHED

SWEIDA'A

Tishreen St.
Phone: (963 –16) 233328/0169960
Fax: (963-16) 233478
Branch Manager: Mr. Toufic BAZ RADWAN

DARA'A

Al Mahata Blvd., Al Kouatly St.
Phone: (963-15) 233309/0159960
Fax: (963-15) 233055
Branch Manager: Mr. Assem ABAZED

AL KAMESHLI

Al Kouatly St.
Phone: (963-52) 4496700
Fax: (963-52) 433105
Branch Manager : Mrs. Suhaila AFRAM

SYRIA AND OVERSEAS FOR FINANCIAL SERVICES Ltd

Management

Board of Directors	
Mr. Amr AZHARI	Chairman
Mr. Georges SAYEGH	Vice Chairman
Mr. Saad AZHARI	Member
Dr. Fadi OSSEIRAN	Member
Mr. Michel CHIKHANI	Member
General Management	
Mr. Firas SAMMAN	General Manager

Network

HEADQUARTERS (DAMASCUS)
Damascus, Mazraa , AL Malak AL Adel St., SYRIA AND OVERSEAS BANK Bldg.
P.O.Box: 8093
Phone: (963-11) 4432190
Fax: (963-11) 4432195
Email : mail@sofs.com.sy
Website: www.sofs.com.sy

BLOM BANK EGYPT

Management

Board of Directors	
Mr. Saad AZHARI	Chairman of the Board
Mr. Mohammed OZALP	Managing Director & Chief Executive Officer
Mr. Rabih EL HALABI	Deputy Managing Director's and Executive Member of the Board
Mr. Tarek METWALLY	Deputy Managing Director's and Executive Member of the Board
Mr. Elias ARACTINGI	Member
Mr. Mohamed KAFAFI	Member
Mr. Magued SHAWKY	Member
Mr. Ahmed ABU ALI	Member
General Management	
Mr. Mohammed OZALP	Managing Director & Chief Executive Officer
Mr. Tarek METWALLY	Deputy Managing Director's
Mr. Rabih EL HALABI	Assistant Managing Director, Institutional Banking
Mr. Abdel Aziz ALY	Head of Security and public Institutional Relations Group
Mr. Ahmed KHATTAB	Head of Corporate Banking Group
Mr. Ali ASHRAF	Head of General Administration
Mr. Belal FAROUK	Group Head, Board Affairs
Mr. Ehab KHALIL	Head of Retail Banking
Mr. Khaled YOUSRY	Head of FI & Correspondent Banking
Mr. Mohamed HISHAM	Head of Compliance
Mr. Mohamed EID	Head of Legal Department
Mr. Mohamed RASHWAN	Head of Internal Audit
Mr. Mohamed SHAWKY	Head of Information Technology
Mr. Mostafa EZZAT	Head of Financial Control
Mr. Mansour MANSOUR	Head of Human Resources
Mrs. Hanem FAHMY	Branches Group Head
Mr. Hazem MOKBEL	Chief Risk Officer
Mr. Tarek REHAN	Head of Central Operations

Network

HEADQUARTERS (CAIRO)
New Cairo, El Tagamoaa El Khames, Ninety St.,
61 BLOM BANK Bldg.
P.O.Box: 410 , New Cairo - El Tagamoaa El Khames
Phone: (202) 33322770/1-9
Fax: (202) 37494508 – 37494168
Website: www.blombankegypt.com

GREATER CAIRO

Abbasia
Abbasia St., 109 Bldg.
Phone: (202) 39322342/3/4
Fax: (202) 230222350
Branch Manager: Mr. Hussein EL SWEIFY

Dokki
Mohie Eldin Aboul Ezz St., 64 Bldg.
Phone: (202) 37494572 - 37494643
Fax: (202) 37494652 – 37494679
Branch Manager: Mrs. Hanaa FOUAD

Haram
Haram St., Nasr El Din, 410 Bldg.
Phone: (202) 35681223
Fax: (202) 35681488
Branch Manager: Mr. Ahmed SABRY

Heliopolis
El Hegaz St., 31 Bldg.
Phone: (202) 24543524 – 24519710
Fax: (202) 24519730
Branch Manager: Mr. Gamal DIAA

Khalifa El Maamoun
Heliopolis, El Khalifa El Maamoun, Manshiet El Bakry St., 20 Bldg.
Phone: (202) 22575625 - 22575647
Fax: (202) 22575651
Branch Manager: Mrs. Azza HINDY

Maadi
New Maadi, El Nasr Road, 4th St., 269 Bldg.
Phone: (202) 25198840 – 25198244
Fax: (202) 25199293 – 25197232
Acting Branch Manager: Mrs. Mona DOSS

Mohandessin
Lebanon St., 54 Bldg.
Phone: (202) 33006599/02/04
Fax: (202) 33039806
Branch Manager: Mr. Mamdouh ZAYED

Mesadak
30 Mesadek St., Dokki – Gizza
Phone: (202) 33375214 - 33375269
Branch Manager: Mr. Ahmed YEHIA

Nasr City
El Nasr Road, El Akkad Mall
Phone: (202) 26906801/2/6
Fax: (202) 26906805
Branch Manager: Mr. Hesham FOUAD

New Cairo
61, 90 St.,Tagamoa El Khames
Phone: (202) 29281193 – 29281200
Fax: (202) 37494508 - 37494168
Branch Manager: Mr. Sherif MOHASSEB

New Maadi
El Nasr Road, El Laselky St., 17/5 Bldg.
Phone: (202) 25175546/7/8
Fax: (202) 25173014 - 25173024
Branch Manager: Mr. Sameh EL GHARIB

Opera
Gomhoreya St., 17 Bldg.
Phone: (202) 23923197 – 23927885
Fax: (202) 22392265
Branch Manager: Mr. Tarek TALAAT

Orouba
Heliopolis, Cleopatra St., 1 Bldg.
Phone: (202) 24144769 – 24144759
Fax: (202) 24144793
Branch Manager: Mrs. Nayera LABIB

Shoubra
EL Khalafawy Square, Shoubra St., 232 Bldg.
Phone: (202) 24311416 - 22015236
Fax: (202) 24311364 – 24312678
Branch Manager: Mrs. Heba SAAD

6th October
Area No.4, Central Axis, 1st District, Al Madiena Commercial Center
Phone: (202) 38321024 - 38320537
Fax: (202) 38339279
Branch Manager: Mr. Amr HASSAN

El Sherouq
New City Plaza Mall next to BUE
Phone: (202) 01028577886 - 01028577882
Branch Manager: Mr. Moustafa SABRY

Zamalek
Abu El Feda St., 15 Bldg.
Phone: (202) 27355246 - 27368045
Fax: (202) 27351832 - 27358613
Branch Manager: Mrs. Wafaa EZZAT

Manial
Manial St., El RODAH, 13 Bldg.
Phone: (202) 23640604 – 23640644
Fax: (202) 23640611
Branch Manager: Mr. Sherif TAHER

Sheikh Zayed
Hayat Mall, 2 El Mahwer El Merkazi El Ganouni - ElSheikh Zayed, 6 October
Phone: (202) 3851389 - 38513891
Fax: 38513892
Branch Manager: Mrs. Amany NAFEA

ALEXANDRIA

El Shatby
El Shatby, Port Said St., 17 Bldg.
Phone: (203) 5934055
Fax: (203) 5934058
Branch Manager: Mr. Ayman TALAAT

Montaza
El Mandara, Gamal Abd El Naser St., 414 Bldg.
Phone: (203) 5488550 – 5488593
Fax: (203) 5488713
Branch Manager: Mrs. Radwa EL FICKY

Manshia
Orabi Square, 9 Bldg.
Phone: (203) 4856088 - 4856052
Fax: (203) 4856120/1
Branch Manager: Mr. Mohamed ABOU SHOUSHA

Stadium
Seliman Yosry St., 1 Bldg.
Phone: (203) 4951641/2/3
Fax: (203) 4951635
Branch Manager: Mr. Ashraf TAHIO

Sporting
El Horia St., 273 Bldg.
Phone: (203) 4270211 - 4200098
Fax: (203) 4200094
Branch Manager: Mrs. Rasha HAMDY

GOVERNATES

Damietta
Borg El Shark Insurance, Corniche El Nile St., 1 Bldg.
Phone: (2057) 363470 - 363413
Fax: (2057) 2363453
Branch Manager: Mr. Mohamed EL BERGISY

Ismalia
El Ismalia Canal, in front of El Rai Bridge, 144 St., 15 Bldg.
Phone: (2064) 3921758/79
Fax: (2064) 3921767
Branch Manager: Mr. Mohamed ABDEL KADER

Mansoura
Torail, Saad Zaghloul St., 35 Bldg.
Phone: (250) 2309121/4/6
Fax: (250) 2309122/5
Branch Manager: Mr. Ehab FARHAT

Port Said
Al Gomhoureya St., 37 Bldg.
Phone: (2066) 3322962/4/7
Fax: (2066) 3322963
Acting Branch Manager: Mr. Sherif ARAFA

Tanta
El Guiesh St., 44 Bldg.
Phone: (240) 3356443 – 3356431 – 3356231
Fax: (240) 3356449
Deputy Branch Manager: Mr. Ayman EL SAADANY

RED SEA

Al Hurghada
Sakallah Square, Elmina St., 7 Bldg.
Phone: (2065) 3447835 - 3448516/7
Fax: (2065) 3447834
Branch Manager: Mr. Alaa METWALLY

Sharm El Sheikh
Salam St., Viva Mall
Phone: (2069) 3664326/7
Fax: (2069) 3664325
Under supervision of: Mr. Alaa METWALLY

BLOM EGYPT SECURITIES

Management

Board of Directors	
Mr. Tarek METWALLY	Chairman
Mr. Hany MAHMOUD	Managing Director
Mrs. Maya EL KADI	Member
Mr. Michel CHIKHANI	Member
Mr. Talal IBRAHIM	Member
Mr. Mohamed RASHWAN	Member
Mr. Bilal FAROUK	Member
General Management	
Mr. Hani MAHMOUD	Managing Director
Mrs. Ola EL MANDOUH	Deputy Managing Director
Mr. Emam WAKED	Head of Institutional Sales - Local
Mrs. Sandy MORCOS	Head of Institutional Sales - MENA
Mr. Khaled EL ANSARY	Head of Retail Banking
Mrs. Mayada SAYED	Head of Retail Banking

Network

HEADQUARTERS (CAIRO)
Giza, Mohandessin, Gezerat El Arab St., 8 Bldg.
Phone: (202) 37 617 682 - 3 - 7
Fax: (202) 37 617 680
Email : info@blomegyptsecurities.com
Website: www.blomegyptsecurities.com

Online Trading
Giza, Mohandessin, Gezerat El Arab St., 8 Bldg.
Phone : (202) 376 217 12 - (202) 376 217 29
Fax : (202) 376 176 80
Email : etrade@blomegyptsecurities.com

Heliopolis
Al Orouba, Cleopatra St., 1 Bldg.
Phone: (202) 241 448 01- (202) 241 448 47
Fax : (202) 241 448 29

BLOMINVEST SAUDI ARABIA

Management

Board of Directors	
Mr. Abdullah Abdullatif AL-FOZAN	Chairman of BLOMINVEST SAUDI ARABIA
Mr. Saad AZHARI	Member
Mr. Waleed AL SAGHYIR	Member
Mr. Essam AL-MUHAIDIB	Member
Dr. Fadi OSSEIRAN	Member
Mr. Marwan AL-JAROUDI	Member
Mr. Fawwaz Al-KHODARI	Member
Mr. Emad BABAN	Member
Mr. Ali GHANDOUR	Member
General Management	
Mr. Abdullah Saud AL-RASHOUD	Chief Executive Officer
Mr. George HANNA	Head of Asset Management
Mr. Moataz SIDANI	Head of Corporate Finance
Mr. Wael EL-TURK	Chief Financial Officer
Mr. Tony BOU FAYSSAL	Head of Compliance & Money Laundering Reporting Officer
Mr. Fady ALKHALAF	Head of Real-estate
Mr. Zohaer EITANI	Head of Private Wealth Management

Network

HEADQUARTERS (RIYADH)
Riyadh, King Fahd Road, Al Oula Bldg., 3rd Flr.
P.O.BOX: 8151 Riyadh - 11482
Phone: (966-11) 4949555
Fax: (966-11) 4949551
Email: info@blominvestksa.com
Website: www.blominvestksa.com

BLOM BANK QATAR LLC

Management

Board of Directors	
Mr. Saad AZHARI	Chairman and Executive Director
Mr. Izzat NUSEIBEH	Executive Director
Mr. Marwan AL JAROUDI	Vice Chairman
Mr. Fahim MO'DAD	Member
Mr. Nicolas SAADE	Member
Mr. Fares EL KADI	Member
General Management	
Mr. Saad AZHARI	Chairman
Mr. Izzat NUSEIBEH	Chief Executive Officer
Mr. Abbas BOU DIAB	Head of Compliance & Anti-Money Laundering
Mr. Dany ABOU JAOUDE	Head of Corporate Banking
Mrs. Rima EL ETER	Risk Manager
Mrs. Carine MHANNA	Finance Manager
Mr. Roger ABOU ZEID	Operations and Treasury Manager
Mr. Zaher GHOUSSAINI	Human Resources Manager

Network

HEADQUARTERS (DOHA)
West Bay Area, Al Qassar Region 61, Al Wahda St., NBK (Amwal) Tower, 11th Flr., Suite 1110
P.O.BOX- 27700 – Doha, Qatar
Phone: (974) 44992999
Fax: (974) 44992990
Email: blommail@blombankqatar.com

BLOM SECURITIES | Jordan

Management

Board of Directos	
Dr. Adnan AL ARAJ	Chief of Directors committee
Mr. Adnan SALLAKH	Deputy Chief of Directors committee
Mr. Modar KURDI	Director
General Management	
Mr. Anwar AL SAQA	General Manager
Mr. Khaled ZU'RUB	Deputy General Manager

Network

HEADQUARTERS (AMMAN)
Shmeisani, Rafeeq Al-Athem St., MSDR Bldg.
P.O.Box: 942341 Shmeisani, Amman, 11194, Jordan
Phone : (962-6) 5661608/5
Fax : (962-6) 5663905
Email: info@efs.jo

Insurance Subsidiaries

Management

Board of Directors	
Mr. Habib RAHAL	Chairman & General Manager
Mr. Fateh BEKDACHE	Vice Chairman & General Manager
Mr. Samer AZHARI	Member
SCOR SE (Represented by Mr. Victor PEIGNET)	Member
Mr. Serge OSOUF	Member
Mr. Patrick LOISY	Member
Mr. Marwan JAROUDI	Member
Mr. Rami HOURIEH	Member
General Management	
Mr. Habib RAHAL	Chairman & General Manager
Mr. Fateh BEKDACHE	Vice Chairman and General Manager
Ms. Faten DOUGLAS	Deputy General Manager

Network

MAIN BRANCH (ZALKA)
Michel Murr St., AROPE Bldg.
P.O. Box: 113-5686 Beirut – Lebanon
Phone: (961-1) 759999
e-fax: (961-1) 344012
Hotline (24/7): 1219
Email: arope@arope.com
Website: www.arope.com

BRANCHES

Verdun
Rachid Karami St., AROPE Plaza, BLOM Bank Bldg.
Phone:(961-1) 759999
e-fax: (961-1) 344012
Email: verdun@arope.com

Hadath
St. Therese St., Hoteit Bldg., BLOM Bank Branch, 1st Flr.
Phone: (961–5) 461243 (Ext. 344 – 345)
e-fax: (961-1) 344012
Email: hadath@arope.com

Jounieh
Jounieh Highway, Damaa Bldg., 1st Flr.
Phone: (961–9) 643222
e-fax: (961-1) 344012
Email: jounieh@arope.com

Saida
Riad el Solh St., Fakhoury Bldg., 1st Flr.
Phone: (961–7) 725303
e-fax: (961-1) 344012
Email: saida@arope.com

Tripoli
Boulevard St., BLOM Bank Bldg., 1st Flr.
Phone: (961–6) 413333
e-fax: (961-1) 344012
Email: tripoli@arope.com

Tyr
Al Abassia, BLOM Bank Bldg., GF & 2nd Flr.
Phone: (961–7) 741037
e-fax: (961-1) 344012
Email: tyr@arope.com

Zahle
Zahle Entrance, Manara Center, GF.
Phone: (961–8) 818640
e-fax: (961-1) 344012
Email: zahle@arope.com

Dora (Life Marketing)
Dora Highway, SEBACO Center, Bloc B, 3rd Flr.
Phone: (961–1) 262222
e-fax: (961-1) 344012

AROPE SYRIA
SYRIA INTERNATIONAL INSURANCE

Management

Board of Directors	
Mr. Fateh BEKDACHE	Chairman
Mr. Amr AZHARI	Vice Chairman
Mr. Habib BATENJANI	Member
Mr. Ibrahim SHEIKH DIB	Member
Mr. Marwan JAROUDI	Member
Mr. Hassan BAALBAKI	Member
Mr. Samer AZHARI	Member
General Management	
Mr. Bachar AL HALABI	General Manager

Network

HEADQUARTERS (DAMASCUS)
Tajheez District, Al Brazil St., facing Omayad Hotel
P.O. Box: 33015
Phone: (963-11) 9279 - 3348350
Fax: (963-11) 3348144 - 3348798
Email: info@aropesyria.com
Website : www.aropesyria.com

BRANCHES

Aleppo
Aziziah, Majdduldin Al Jabiri St.
Phone: (963-21) 9279
Fax: (963-21) 2118800

Damascus
Abou Remmaneh, Al Mahdi Ben Baraki St.
Phone: (963-11) 3329010/1/2
Fax: (963-11) 3348797

Latakia
Al Kamliah, 8 March St.
Above BANK OF SYRIA AND OVERSEAS
Phone: (963-41) 9279
Fax: (963-41) 475223

Hama
Al Alamayn St., Al Ashek Bldg., 1st Flr.
Phone: (963-33) 9279
Fax: (963-33) 523277

Tartous
Thawra Avenue, BANK OF SYRIA AND OVERSEAS Bldg.
Phone: (963-43) 9279
Fax: (963-43) 230870

AROPE INSURANCE EGYPT
BLOM Bank Group

AROPE Insurance for Properties and Liabilities S.A.E.

Management

Board of Directors	
Mr. Fateh BEKDACHE	Chairman
Mr. Habib RAHAL	Member
Mr. Bachar EL HALABI	Member
Mr. Tarek METWALLY	Member
Mrs. Maya AL KADI	Member
Mr. Ahmad KHATTAB	Member
Mr. Rabih EL HALABY	Member
Mr. Ihab KHALIL	Member
Ms. Faten DOUGLAS	Member
General Management	
Mr. Bachar EL HALABI	CEO & Managing Director

AROPE Life Insurance S.A.E.

Management

Board of Directors	
Mr. Fateh BEKDACHE	Chairman
Mr. Habib RAHAL	Member
Mr. Bachar EL HALABI	Member
Mr. Tarek METWALLY	Member
Mrs. Maya AL KADI	Member
Mr. Ahmad KHATTAB	Member
Mr. Rabih EL HALABY	Member
Mr. Ihab KHALIL	Member
Ms. Faten DOUGLAS	Member
General Management	
Mr. Ali El SISI	Acting Managing Director

Network

HEADQUARTERS (CAIRO)

AROPE Plaza, 30, Mesadak St., Dokki - Giza
Phone: (202) 33323299
Fax: (202) 33361482/3
Hotline: (202) 19243
Email: arope@arope.com.eg
Website: www.aropeegypt.com

Life Insurance Agencies

Maadi
4, 151 St., Maadi – Cairo
Phone: (202) 33323299
Fax: (202) 33361482/3
Hotline: (202) 19243
Email: arope@arope.com.eg

Nasr City
68, Makram Obeid St., Nasr City – Cairo
Phone: (202) 33323299
Fax: (202) 33361482/3
Hotline: (202) 19243
Email: arope@arope.com.eg

Alexandria
75, Fawzi Maaz St., Samouha – Alexandria
Phone: (202) 33323299
Fax: (202) 33361482/3
Hotline: (202) 19243
Email: arope@arope.com.eg

Network

AROPE Insurance Egypt is present in all BLOM BANK Egypt branches .
For the list of branches and contact details, please refer to page 199-200 from this report.

www.blombank.com