LIBANK SAL
(LEVANT INVESTMENT BANK)

FINANCIAL STATEMENTS

31 DECEMBER 2015

Building a better working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LIBANK SAL (LEVANT INVESTMENT BANK)

We have audited the accompanying financial statements of LiBank SAL (Levant Investment Bank) (the Bank), which comprise the statement of financial position as at 31 December 2015 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Ernst & Young

11 May 2016
Beirut, Lebanon

BDO, Semaan, Gholam & Co.

INCOME STATEMENT
For the year ended 31 December 2015

	Notes	*2015* *LL (000)*	*2014* *LL (000)*
Interest and similar income	3	**3,972,496**	3,396,767
Interest and similar expense	4	**(6,301,003)**	(4,866,829)
Net interest expense		**(2,328,507)**	(1,470,062)
Fees and commission income		**946,422**	812,757
Fees and commission expense		**(30,328)**	(143,623)
Net fee and commission income	5	**916,094**	669,134
Net gain on financial assets designated at fair value through profit or loss	6	**9,177,206**	7,090,436
Net gain on financial assets designated at fair value through other comprehensive income	13	**25,535**	12,294
Share of (loss) profit from investment in an associate	16	**(89,266)**	175,631
		9,113,475	7,278,361
Net operating income		**7,701,062**	6,477,433
Personnel expenses	7	**(3,136,037)**	(2,509,286)
Depreciation of property and equipment	17	**(191,248)**	(142,510)
Amortization of intangible assets	18	**(99,149)**	(80,143)
Other operating expenses	8	**(2,702,278)**	(2,866,316)
Total operating expenses		**(6,128,712)**	(5,598,255)
PROFIT FOR THE YEAR		**1,572,350**	879,178

The accompanying notes 1 to 32 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015 *LL (000)*	*2014* *LL (000)*
PROFIT FOR THE YEAR	**1,572,350**	879,178
Other comprehensive loss		
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:		
Net loss from financial assets at fair value through other comprehensive income	**(99,880)**	(524,382)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,472,470**	354,796

The accompanying notes 1 to 32 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 LL (000)	2014 LL (000)
ASSETS			
Cash and balances with the Central Bank	10	**19,033,227**	15,126,855
Deposits with banks and financial institutions	11	**2,770,524**	888,467
Financial assets at fair value through profit or loss	12	**95,636,980**	96,483,569
Financial assets at fair value through other comprehensive income	13	**3,061,662**	2,025,059
Loans and advances to customers at amortized cost	14	**14,899,237**	9,053,303
Loans and advances to related parties at amortized cost	28	**3,219,545**	3,330,617
Financial assets at amortized cost	15	**66,612,127**	39,306,274
Investment in an associate	16	**1,752,525**	1,431,312
Property and equipment	17	**1,330,851**	1,408,193
Intangible assets	18	**264,831**	325,996
Other assets	19	**6,851,270**	5,066,465
TOTAL ASSETS		**215,432,779**	174,446,110
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and financial institutions	20	**11,689,498**	3,030,589
Customers' deposits at amortized cost	21	**37,832,492**	15,911,806
Deposits from related parties at amortized cost	22	**102,100,525**	93,174,654
Other liabilities	23	**782,753**	802,805
Provision for risks and charges		**49,170**	20,385
TOTAL LIABILITIES		**152,454,438**	112,940,239
EQUITY			
Share capital	24	**60,000,000**	60,000,000
Legal reserve		**158,585**	70,667
Reserve for general banking risks		**531,331**	212,005
Other reserves		**454,834**	423,990
Cumulative changes in fair value of financial assets at fair value through other comprehensive income	26	**(179,849)**	(79,969)
Retained earnings		**441,090**	-
Results for the year - profit		**1,572,350**	879,178
TOTAL EQUITY		**62,978,341**	61,505,871
TOTAL LIABILITIES AND EQUITY		**215,432,779**	174,446,110

The financial statements were authorized for issue in accordance with the resolution of the Board of directors on 11 May 2016 by:

Antonios Hanna Ghorayeb
Chairman and General Manager

Salim Chaar
Chief Executive Officer

The accompanying notes 1 to 32 form part of these financial statements.

LiBank SAL (LEVANT INVESTMENT BANK)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

		Non distributable reserves			*Distributable reserves*				
	Share capital LL (000)	*Legal reserve LL (000)*	*Reserve for general banking risks LL (000)*	*Total LL (000)*	*Other reserves LL(000)*	*Cumulative changes in fair value of financial assets at fair value through other comprehensive income LL (000)*	*Retained earnings (Accumulated losses) LL (000)*	*Results for the year profit LL (000)*	*Total equity LL (000)*
Balance at 1 January 2014	45,000,000	-	-	-	-	444,413	(2,260,574)	706,662	43,890,501
Appropriation of 2013 profits	-	70,667	212,005	282,672	423,990	-	-	(706,662)	-
Increase in capital (Note 24)	17,260,574	-	-	-	-	-	-	-	17,260,574
Extinguishment of accumulated losses (Note 24)	(2,260,574)	-	-	-	-	-	2,260,574	-	-
Total comprehensive income for the year	-	-	-	-	-	(524,382)	-	879,178	354,796
Balance at 31 December 2014	**60,000,000**	**70,667**	**212,005**	**282,672**	**423,990**	**(79,969)**	**-**	**879,178**	**61,505,871**
Appropriation of 2014 profits	-	87,918	319,326	407,244	30,844	-	441,090	(879,178)	-
Total comprehensive income for the year	-	-	-	-	-	(99,880)	-	1,572,350	1,472,470
Balance as at 31 December 2015	**60,000,000**	**158,585**	**531,331**	**689,916**	**454,834**	**(179,849)**	**441,090**	**1,572,350**	**62,978,341**

The accompanying notes 1 to 32 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2015

	Notes	*2015* *LL (000)*	*2014* *LL (000)*
OPERATING ACTIVITIES			
Profit for the year		**1,572,350**	879,178
Adjustments for:			
Depreciation of property and equipment	17	**191,248**	142,510
Amortization of intangible assets	18	**99,149**	80,143
Provision (write-back) for risks and charges		**14,285**	(9,680)
Loss on disposal of property and equipment		-	42,946
Provision for end of service indemnity		**14,500**	18,623
Share of (loss) profit from investment in an associate	16	**89,266**	(175,631)
		1,980,798	978,089
Changes in operating assets and liabilities:			
Balances with the Central Bank		**(4,384,784)**	(3,452,725)
Loans and advances to customers at amortized cost		**(5,845,934)**	(748,750)
Loans and advances to related parties at amortized cost		**111,072**	(3,330,617)
Financial assets at fair value		**(289,894)**	(56,657,891)
Customers' deposits at amortized cost		**21,920,686**	11,269,074
Deposits from related parties at amortized cost		**8,925,871**	35,335,514
Other assets		**(1,784,805)**	63,288
Other liabilities		**(20,052)**	480,828
Net cash from (used in) operating activities		**20,612,958**	(16,063,190)
INVESTING ACTIVITIES			
Acquisition of property and equipment	17	**(113,906)**	(800,720)
Acquisition of intangibles	18	**(37,984)**	(89,483)
Acquisition of shares in associate		**(410,479)**	(1,255,681)
Purchase of financial assets at amortized cost		**(27,305,853)**	-
Net proceeds from disposal of financial assets at amortized cost		-	108,050
Net cash used in investing activities		**(27,868,222)**	(2,037,834)
FINANCING ACTIVITIES			
Increase in share capital	24	-	17,260,574
Net cash from financing activities		-	17,260,574
DECREASE IN CASH AND CASH EQUIVALENTS		**(7,255,264)**	(840,450)
Cash and cash equivalents at beginning of year	29	**(281,816)**	558,634
CASH AND CASH EQUIVALENTS AT END OF YEAR	29	**(7,537,080)**	(281,816)

The accompanying notes 1 to 32 form part of these financial statements.

1 CORPORATE INFORMATION

LiBank SAL (the "Bank") a Lebanese joint stock company, was incorporated in 2012 and registered under No. 1015811 at the commercial registry of Beirut and under No. 139 on the banks' list published by the Central Bank of Lebanon. The headquarters of the Bank are located in Down Town, Omar Daouk Street, Beirut, Lebanon.

The Bank provides a wide range of medium and long term banking services and is governed by the Lebanese laws especially the Commercial Law, the Money and Credit Act and the Legislative Decree No. 50 dated 15 July 1983 related to investment banks and to medium and long term credit banks in addition to the regulations of Central Bank of Lebanon and the Banking Control Commission.

The Bank is exempt from income taxes on profits as per the provisions of Legislative Decree No. 50 dated 15 July 1983 for a period of 7 years extending from the date of its establishment.

The Bank obtained the permit for commencement of activities from the Central Bank of Lebanon on 14 January 2013.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements are prepared under the historical cost convention as modified for the restatement of financial assets designated at fair value through profit or loss and financial assets at fair value through other comprehensive income which are measured at fair value.

The financial statements and the relevant disclosures are presented in thousands of Lebanese Lira (LL (000)) except when otherwise indicated.

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

Presentation of financial statements
The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in the risk management note.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense will not be offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Bank.

2.2 New standards, interpretations and amendments

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2014 except for the adoption of amended standards and interpretations effective as of 1 January 2015, noted below:

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 recognize 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. This amendment is not relevant to the Bank, since it does not have defined benefit plans with contributions from employees or third parties.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations and amendments (continued)

Annual Improvements 2010-2012 Cycle
These improvements are effective from 1 July 2014 and the Bank has applied these amendments for the first time in these financial statements. 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.

As the Bank does not have share-based payments, this amendment is not expected to have an impact on the Bank's financial position, performance or disclosures.

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). This amendment is not expected to have an impact on the Bank's financial position, performance or disclosures.

IFRS 8 *Operating Segments*
The amendments are applied retrospectively and clarify that:
- An entity must disclose the judgments 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 (e.g., sales and gross margins) 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.

This amendment is not expected to have an impact on the Bank's financial position, performance or disclosures.

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 by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The Bank did not record any revaluation adjustment during the current period.

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. This amendment is not expected to have an impact on the Bank's financial position, performance or disclosures.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations and amendments (continued)

Annual Improvements 2011-2013 Cycle
These improvements are effective from 1 July 2014 and the Bank has applied these amendments for the first time in these financial statements. 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. The Bank is not a joint arrangement and thus this amendment is not expected to have an impact on the Bank's financial position, performance or disclosures.

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). The Bank does not apply the portfolio exception in IFRS 13.

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 a business combination. This amendment is not expected to have a significant impact on the Bank's financial position, performance or disclosures.

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

2.3 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 Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

- *IFRS 9 Financial Instruments*
- *IFRS 14 Regulatory Deferral Accounts*
- *IFRS 15 Revenue from Contracts with Customers*
- *Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests*
- *Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*
- *Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants*
- *Amendments to IAS 27: Equity Method in Separate Financial Statements*
- *Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- *Annual Improvements 2012-2014 Cycle*
- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*
- *IFRS 7 Financial Instruments: Disclosures*
- *IAS 19 Employee Benefits*
- *IAS 34 Interim Financial Reporting*
- *Amendments to IAS 1 Disclosure Initiative*
- *Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception*

These amendments will not have any impact on the Bank's financial statements.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies

(1) Foreign currency translation

The financial statements are presented in Lebanese Lira which is the bank's presentation 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 statement of financial position date. All differences arising on non-trading activities are taken to "Other operating income or loss" in the income statement, with the exception of differences on foreign currency borrowings that provide an effective hedge against a net investment, at which time they are recognized in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions.

(2) Financial assets and financial liabilities

(i) Recognition and initial measurement
A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification
At inception a financial asset is classified as measured at amortized cost or fair value.

Amortized cost
A financial asset qualifies for amortized cost measurement only if it meets both of the following conditions:

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

If a financial asset does not meet both of these conditions, then it is measured at fair value.

The Bank makes an assessment of a business model at a portfolio level as this reflects best the way the business is managed and information is provided to management.

In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Bank considers:

- management's stated policies and objectives for the portfolio and the operation of these policies in practice;
- how management evaluates the performance of the portfolio;
- whether management's strategy focus 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 or are sold shortly after acquisition or an extended time before maturity.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

(2) Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Financial assets at fair value through profit or loss
Financial assets classified in this category are those that have been designated by management on initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the financial assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

Financial assets at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in "Net gain or loss on financial assets designated at fair value through profit or loss". Interest earned or incurred using the effective interest rate, and dividend income is recorded in "Net trading income" when the right to the payment has been established.

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 income statement on disposal of the investments.

Dividends on these investments are recognized under "Revenues from financial assets at fair value through other comprehensive income" in the 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.

(iii) Reclassification

Financial assets
Financial assets are not reclassified subsequent to their initial recognition, except when the Bank changes its business model for managing financial assets.

The Bank shall not reclassify any financial liability.

Financial liabilities
The Bank classifies its financial liabilities as measured at amortized cost.

(iv) Derecognition
The Bank derecognizes a financial asset when the contractual rights to the cash flows from, the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability in the statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assume) is recognized in profit or loss.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

(2) Financial assets and financial liabilities (continued)

(iv) Derecognition (continued)

The Bank enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria. An asset or liability is recognized for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

(v) Offsetting

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

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(vi) Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(vii) Impairment of financial assets

The Bank assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) 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 debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial restructuring and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such evidence exists, any impairment loss is recognized in the income statement.

(i) Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

(2) Financial assets and financial liabilities (continued)

(vii) Impairment of financial assets (continued)

(i) Financial assets carried at amortized cost (continued)
Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss 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 carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the "Credit loss expense".

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. If the Bank has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new effective interest rate determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Bank's and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(viii) Fair value measurement
Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analysis and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Bank calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

(2) Financial assets and financial liabilities (continued)

(viii) Fair value measurement (continued)
The best of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instruments is initially obtained from a valuation model subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions are measured at a bid price, liabilities and short positions are measured at an asking price. Where the Bank has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate.

(3) Recognition of income and expenses
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

(i) Interest and similar income and expenses
For all financial instruments measured at amortized cost, and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the effective interest rate, 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 Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate.

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

(ii) Fee and commission income
The Bank 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.

Fee income from providing transaction services
Fees 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, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

(4) Cash and cash equivalents
Cash and cash equivalents as referred to in the statement cash flows comprise balances with original maturities of a period of three months or less.

(5) Property and equipment
Property and equipment are stated at cost less accumulated depreciation and accumulated impairment in value. Replacements or major inspection costs are capitalized when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

(5) Property and equipment (continued)
Depreciation is calculated on a straight line basis to write down the cost of property and equipment to their residual values over their estimated useful lives. Freehold land is not depreciated. The estimated useful lives are as follows:

Computer equipment	5 years
Office furniture and equipment	12.5 years
Vehicles	10 years

The assets' residual values, useful lives and method of depreciation are reviewed at each financial period and adjusted prospectively, if appropriate. Impairment reviews are performed when there are indications that the carrying value may not be recoverable. Impairment losses are recognized in the income statement as an expense.

Property and equipment is derecognized 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 profit from sale or disposal of other assets" in the income statement in the year the asset is derecognized.

(6) Intangible assets
The Bank's other intangible assets include the value of software license. 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 Bank. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization 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 amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

Amortization 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:

Software	5 years

(7) Asset management
The bank provides asset management services to its clients. The related assets are not recorded on the Bank's statement of financial position but are recorded as off-balance sheet items.

(8) Investment in associates
An associate is an entity over which the Bank has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Bank's investments in its associate is accounted for using the equity method

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

(9) Retirement benefits obligation
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 Bank is liable to pay to the NSSF the difference between the subscriptions paid and the final end-of-service benefits due to employees. The Bank provides for end-of-service benefits on that basis.

(10) Provision for risks and charges
Provisions are recognised when the Bank 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 income statement net of any reimbursement

2.5 Significant accounting judgments and estimates

In the process of applying the Bank'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 financial statements:

Going concern
The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank 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 Bank's ability to continue as a going concern. Therefore, the 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 Bank 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 Bank 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 Bank 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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Significant accounting judgments and estimates (continued)

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded on the 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. The valuation of financial instruments is described in more details in the notes.

Impairment losses on loans and advances
The Bank reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the statement of comprehensive income. 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 Bank 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).

3 INTEREST AND SIMILAR INCOME

	2015 ***LL (000)***	*2014* *LL (000)*
Debt instruments at amortized cost	**3,013,912**	2,535,672
Deposits with banks	**43,029**	170,994
Loans and advances to customers at amortized cost	**780,314**	589,421
Loans and advances to related parties at amortized cost (note 28)	**135,241**	100,680
	3,972,496	3,396,767

4 INTEREST AND SIMILAR EXPENSE

	2015 ***LL (000)***	*2014* *LL (000)*
Deposits with banks and financial institutions	**261,640**	91,327
Customers' deposits at amortized cost	**903,024**	488,489
Related parties' deposits at amortized cost (note 28)	**5,136,339**	4,287,013
	6,301,003	4,866,829

5 NET FEE AND COMMISSION INCOME

	2015	*2014*
	LL (000)	*LL (000)*
Commission income	**946,422**	812,757
Commission expenses	**(30,328)**	(143,623)
	916,094	669,134

Commission income includes an amount of LL (000) 308,584 representing revenues from advisory services provided by the Bank to related parties for the year ended 31 December 2015 (2014: LL (000) 454,709) (note 28).

6 NET GAIN ON FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015	*2014*
	LL (000)	*LL (000)*
Interest and similar income from debt instruments at fair value through profit or loss	**6,776,289**	4,586,678
Net loss on foreign exchange	**(46,266)**	(156,579)
Net unrealized revaluation gain on financial assets designated at fair value through profit or loss	**2,327,822**	953,771
Net realized gain on financial assets designated at fair value through profit or loss (Note 12)	**119,361**	1,706,566
	9,177,206	7,090,436

7 PERSONNEL EXPENSES

	2015	*2014*
	LL (000)	*LL (000)*
Salaries and wages	**1,604,252**	1,225,462
Social security costs	**213,548**	167,553
Chairman and General Manager remunerations (Note 28)	**829,125**	678,375
Committee remuneration	**226,125**	226,125
Transportation allowances	**52,990**	51,200
Insurance	**85,519**	58,677
Other employee benefits	**109,978**	83,271
End of service indemnity	**14,500**	18,623
	3,136,037	2,509,286

8 OTHER OPERATING EXPENSES

	2015	*2014*
	LL (000)	*LL (000)*
Rent expenses	**517,870**	507,399
Taxes and charges	**391,761**	444,965
Travel expenses	**370,806**	434,301
Registration fees	**274,176**	245,780
Professional fees	**454,686**	613,259
Marketing expenses	**197,307**	-
Telecommunication charges	**30,814**	37,308
Insurance expenses	**41,407**	51,004
Repair and maintenance	**85,016**	67,827
Advertising fees	**50,897**	113,393
Stationary and office supplies	**25,308**	27,451
Donations	**3,769**	31,958
Refreshments and entertainment	**88,574**	104,124
Other expenses	**169,887**	187,547
	2,702,278	2,866,316

9 INCOME TAX

As per the provisions of legislative decree no. 50 dated 15 July 1983, the Bank is exempt from income taxes stipulated in legislative decree no.144 dated 12 June 1959 for a period of 7 years.

10 CASH AND BALANCES WITH THE CENTRAL BANK

	2015	*2014*
	LL (000)	*LL (000)*
Cash on hand	**70,007**	2,049
Central Bank of Lebanon:		
- Current accounts	**1,311,887**	1,858,256
- Term deposits	**17,651,333**	13,266,550
	19,033,227	15,126,855

Term deposits at the Central Bank of Lebanon include two placements of US$ 2 million each, a placement of US$ 3 million and a placement of US$ 4.7 million (2014: two placements of US$ 2 million each and a placement of US$ 3 million) with interest rates ranging between 0.094% and 0.5% (2014: 0.19% and 0.28%) to cover the regulatory reserve required by the Central Bank of Lebanon.

11 DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

	2015	*2014*
	LL (000)	*LL (000)*
Banks - current accounts	**2,770,524**	888,467

Deposits with banks and financial institutions consist of balances with an original maturity of less than 3 months.

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 LL (000)	2014 LL (000)
Lebanese certificate of deposits	**39,426,981**	40,692,236
Lebanese treasury bills – denominated in Lebanese Lira	**36,572,202**	34,818,363
Lebanese treasury bills - Eurobonds	**16,872,740**	20,972,970
LiBank Global Balanced Fund	**2,765,057**	-
	95,636,980	96,483,569

During the year ended 31 December 2015, the Bank acquired 20,000 shares at US$ 100 each in LiBank Global Balanced Fund, established in the Cayman Islands, at a total of US$ 2,000,000 (equivalent to LL (000) 3,015,000). The fair value of this investment amounted to LL (000) 2,765,057 as at 31 December 2015.

Certificate of deposits – 31 December 2015

Certificate of deposits denominated in US Dollar

Maturity date	*Nominal amount USD*	*Interest rate*	*Cost USD*	*Fair value USD*	*Unrealized gain USD*
10 December 2023	2,000,000	7.24%	2,000,000	2,169,820	169,820
5 August 2029	20,000,000	7.10%	20,000,000	21,139,000	1,139,000
			24,000,000	**23,308,820**	**1,308,820**
			Equivalent in LL (000)	**35,138,046**	**1,973,046**
Accrued interest receivable				**880,885**	
				36,018,931	

Certificate of deposits denominated in Lebanese Lira

Maturity date	*Nominal amount LL (000)*	*Interest rate*	*Cost LL (000)*	*Fair value LL (000)*	*Unrealized gain LL (000)*
5 March 2026	3,000,000	8.74%	3,000,000	3,331,695	331,695
Accrued interest receivable				**76,355**	
				3,408,050	
				39,426,981	

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Certificate of deposits – 31 December 2014

Maturity date	*Nominal amount USD*	*Interest rate*	*Cost USD*	*Fair value USD*	*Unrealized gain USD*
10 December 2023	4,000,000	7.24%	4,000,000	4,249,400	249,400
5 August 2029	20,000,000	7.10%	20,000,000	20,000,000	-
			24,000,000	24,249,400	249,400
			Equivalent in LL (000)	36,555,971	375,971
Accrued interest receivable				892,406	
				37,448,377	

Certificate of deposits denominated in Lebanese Lira

Maturity date	*Nominal amount LL (000)*	*Interest rate*	*Cost LL (000)*	*Fair value LL (000)*	*Unrealized gain LL (000)*
5 March 2026	3,000,000	8.74%	3,000,000	3,168,945	168,945
Accrued interest receivable				74,914	
				3,243,859	
				40,692,236	

Lebanese Treasury Bills denominated in Lebanese Lira

	31 December 2015				
Maturity date	***Nominal amount LL (000)***	***Coupon rate***	***Cost LL (000)***	***Fair Value LL (000)***	***Unrealized gain (loss) LL (000)***
8 September 2022	7,500	8.74%	7,800	8,171	371
13 June 2024	5,500,000	7.98%	5,500,000	5,792,615	292,615
26 June 2025	2,000,000	7.46%	2,000,000	2,023,875	23,875
24 October 2024	460,000	7.98%	460,000	483,687	23,687
24 October 2024	15,000,000	7.98%	15,080,160	15,772,412	692,252
15 June 2025	32,240	8.24%	33,074	34,795	1,721
15 June 2025	17,760	8.24%	18,648	19,168	520
11 September 2025	1,543,840	8.74%	1,611,386	1,702,156	90,770
11 September 2025	320,160	8.74%	348,750	352,991	4,241
11 September 2025	10,000	8.74%	10,850	11,025	175
30 October 2025	4,500,000	8.74%	4,568,108	5,006,599	438,491
30 October 2025	1,870,500	8.74%	1,896,044	2,081,077	185,033
30 October 2025	2,500,000	8.74%	2,537,838	2,781,444	243,606
30 October 2025	10,000	8.74%	10,517	11,126	609
30 October 2025	57,500	8.74%	62,193	63,961	1,768
			34,145,368	**36,145,102**	**1,999,734**
Accrued interest receivable				**427,100**	
				36,572,202	

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Lebanese Treasury Bills denominated in Lebanese Lira (continued)

	31 December 2014				
Maturity date	*Nominal amount LL (000)*	*Coupon rate*	*Cost LL (000)*	*Fair Value LL (000)*	*Unrealized gain LL (000)*
8 September 2022	7,500	8.24%	7,800	7,921	121
13 June 2024	5,500,000	7.98%	5,500,000	5,604,168	104,168
24 October 2024	2,000,000	7.98%	2,000,000	2,033,326	33,326
24 October 2024	15,000,000	7.98%	15,080,160	15,249,946	169,786
11 September 2025	2,000,000	8.74%	2,087,504	2,128,272	40,768
30 October 2025	4,500,000	8.74%	4,568,108	4,778,780	210,672
30 October 2025	1,873,500	8.74%	1,899,085	1,989,565	90,480
30 October 2025	2,500,000	8.74%	2,537,838	2,654,878	117,040
			33,680,495	34,446,856	766,361
Accrued interest receivable				371,507	
				34,818,363	

Lebanese Treasury Bills – Eurobonds

	31 December 2015				
Maturity date	***Nominal amount USD***	***Coupon rate***	***Cost USD***	***Fair value USD***	***Unrealized gain (loss) USD***
3 September 2020	32,000	6.38%	31,840	32,418	578
3 September 2020	85,000	6.38%	88,400	86,111	(2,289)
3 September 2020	58,000	6.38%	60,900	58,758	(2,142)
3 September 2020	38,000	6.38%	39,330	38,497	(833)
4 October 2022	79,000	6.10%	77,815	77,796	(19)
27 November 2026	2,000,000	6.60%	2,077,500	1,972,080	(105,420)
27 November 2026	4,000,000	6.60%	4,155,000	3,944,160	(210,840)
6 December 2025	85,000	6.25%	85,680	82,760	(2,920)
6 December 2025	15,000	6.25%	15,228	14,605	(623)
6 December 2025	1,000,000	6.25%	1,012,500	973,650	(38,850)
6 December 2025	385,000	6.25%	390,775	374,855	(15,920)
6 December 2025	300,000	6.25%	303,750	292,095	(11,655)
29 November 2027	2,000,000	6.75%	2,096,000	1,986,600	(109,400)
27 January 2023	104,000	6.00%	106,080	101,452	(4,628)
27 January 2023	168,000	6.00%	171,360	163,884	(7,476)
26 February 2030	350,000	6.65%	361,025	341,845	(19,180)
26 February 2030	500,000	6.65%	505,750	488,350	(17,400)
26 February 2030	77,000	6.65%	79,426	75,206	(4,220)
			11,658,359	**11,105,122**	**(553,237)**
			Equivalent in LL (000)	**16,740,972**	**(834,004)**
Accrued interest receivable				**131,768**	
				16,872,740	

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Lebanese Treasury Bills – Eurobonds (continued)

	31 December 2014				
Maturity date	*Nominal amount USD*	*Coupon rate*	*Cost USD*	*Fair value USD*	*Unrealized gain (loss) USD*
9 March 2020	32,000	6.38%	31,840	33,457	1,617
9 March 2020	15,000	6.38%	15,788	15,683	(105)
9 March 2020	85,000	6.38%	88,400	88,871	471
9 March 2020	77,000	6.38%	80,850	80,507	(343)
4 October 2022	106,000	6.1%	104,410	108,202	3,792
4 October 2022	7,000	6.1%	7,140	7,145	5
27 January 2023	168,000	6%	171,360	169,697	(1,663)
12 June 2025	1,000,000	6.25%	1,000,000	1,006,610	6,610
12 June 2025	85,000	6.25%	85,000	85,562	562
12 June 2025	4,000,000	6.25%	4,000,000	4,026,440	26,440
27 November 2026	2,000,000	6.6%	2,077,500	2,049,620	(27,880)
27 November 2026	4,000,000	6.6%	4,155,000	4,099,240	(55,760)
29 November 2027	2,000,000	6.75%	2,096,000	2,066,420	(29,580)
			13,913,288	13,837,454	(75,834)
			Equivalent in LL (000)	20,859,961	(114,320)
Accrued interest receivable				113,009	
				20,972,970	

During the year ended 31 December 2015, The bank sold Treasury bills, Eurobonds and certificate of deposits and realized a net gain of LL(000) 119,361 (2014: LL (000) 1,706,566) that was recorded under net gain on financial assets designated at Fair value through profit or loss (note 6).

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income consists of the following:

	2015					2014		
Company	*Total investment LL (000)*	*Portion of investment financed by BDL LL (000)*	*Net Carrying amount LL (000)*	*Cumulative change in fair value LL (000)*	*Dividend income LL (000)*	*Carrying amount LL (000)*	*Cumulative change in fair value LL (000)*	*Dividend income LL (000)*
Ace Liberty & Stone PLC	**2,105,007**	-	**2,105,007**	**445,926**	**17,696**	1,805,603	419,209	12,294
Lot 78 Inc	**14,468**	-	**14,468**	**(625,775)**	-	141,066	(499,177)	-
MenaPro	-	-	-	-	-	78,390	-	-
M Publishing Ltd.	**3,768,750**	**(2,826,563)**	**942,187**	-	-	-	-	-
Torch SAL	**2,261,250**	**(2,261,250)**	-	-	-	-	-	-
	8,149,475	**(5,087,813)**	**3,061,662**	**(179,849)**	**17,696**	2,025,059	(79,968)	12,294

During the year 2015, the Bank acquired 1,404 shares in "M Publishing sal", a Lebanese company, for LL(000) 3,768,750 representing 12.5% of the Company's total shares. This investment is financed partially by the Central Bank of Lebanon in accordance with intermediary circular number 331 where the Central Bank participated in an amount of LL (000) 2,826,563 representing 75% of the Bank's total investment in the Company. The Bank must dispose this investment after seven years.

Upon disposal:

- The Bank collects the amount invested by his own funds.
- The Bank settles to the Central Bank any remaining amount up to the value of the amount financed by the latter.
- The Bank settles to the Central Bank 50% of any remaining amount if any after withdrawing his share of the gain on disposal.

In case of any dividend distribution, the bank must settle 50% of the remaining dividends to the Central Bank after withdrawing his share of the dividends distributed.

During the year 2015, the Bank acquired 6,497 shares in "Torch SAL" for LL (000) 2,261,250 representing 68.4% of the Company's total shares. This investment is fully financed by the Central Bank of Lebanon in accordance with the Central Bank intermediary circular number 331. The bank must dispose of this investment in a period of seven years. Upon disposal, the bank shall settle first to the Central Bank the amount collected up to the value of the amount financed by the latter. In case of dividends distribution, the bank must settle 50% of these dividends to the Central Bank.

During the year 2015, the Bank sold the investment in MenaPro for USD 57,200 resulting in a profit of USD 5,200 (equivalent to LL(000) 7,839).

14 LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST

	2015 *LL (000)*	*2014* *LL (000)*
Term loans	**14,899,237**	9,053,303

Term loans have maturities exceeding 6 months and generate interest at a rate ranging between 4.50% and 7%.

15 FINANCIAL ASSETS AT AMORTIZED COST

	2015 *LL (000)*	*2014* *LL (000)*
Lebanese treasury bills – denominated in Lebanese Lira	**16,414,384**	19,530,201
Lebanese treasury bills – Eurobonds	**50,197,743**	19,776,073
	66,612,127	39,306,274

Lebanese Treasury Bills denominated in Lebanese Lira as at 31 December 2015

Maturity date	***Nominal amount LL (000)***	***Coupon rate***	***Amortized cost LL (000)***
17 December 2017	3,000,000	7.90%	3,040,119
12 April 2018	3,000,000	7.90%	3,067,434
8 October 2020	1,500,000	7.80%	1,520,609
8 October 2020	2,500,000	7.80%	2,503,465
8 September 2022	3,000,000	8.24%	3,009,581
21 August 2025	3,000,000	7.46%	3,000,000
			16,141,208
Accrued interest receivable			**273,176**
			16,414,384

Lebanese Treasury Bills denominated in Lebanese Lira as at 31 December 2014

Maturity date	*Nominal amount LL (000)*	*Coupon rate*	*Amortized cost LL (000)*
2 July 2015	500,000	6.16%	499,117
2 July 2015	500,000	6.16%	499,117
27 August 2015	2,000,000	6.18%	1,993,937
3 September 2015	3,000,000	6.50%	3,001,253
17 December 2017	3,000,000	7.90%	3,103,355
12 April 2018	3,000,000	7.90%	3,096,807
8 October 2020	1,500,000	7.80%	1,520,473
8 October 2020	2,500,000	7.80%	2,500,148
8 September 2022	3,000,000	8.24%	3,005,564
			19,219,771
Accrued interest receivable			310,430
			19,530,201

15 FINANCIAL ASSETS AT AMORTIZED COST (continued)

Lebanese Treasury Bills – Eurobonds as at 31 December 2015

Maturity date	*Nominal amount US$*	*Coupon rate*	*Amortized cost US$*
12 October 2017	1,000,000	5.00%	1,000,739
4 October 2022	3,000,000	6.10%	3,037,811
27 January 2023	2,000,000	6.00%	2,043,487
28 November 2026	2,000,000	6.60%	2,062,642
27 November 2026	1,800,000	6.60%	1,825,260
29 November 2027	1,000,000	6.75%	1,008,277
29 November 2027	2,000,000	6.75%	2,043,403
29 November 2027	1,000,000	6.75%	1,006,599
29 November 2027	1,000,000	6.75%	1,006,628
26 February 2030	800,000	6.65%	800,000
26 February 2030	2,000,000	6.65%	2,049,619
26 February 2030	1,500,000	6.65%	1,533,979
26 February 2030	2,000,000	6.65%	1,996,034
26 February 2030	1,000,000	6.65%	998,016
26 February 2030	2,000,000	6.65%	1,997,020
2 November 2035	8,440,000	7.05%	8,440,000
			32,849,514
		Equivalent to LL (000)	**49,520,642**
Accrued interest receivable			**677,101**
			50,197,743

Lebanese Treasury Bills – Eurobonds as at 31 December 2014

Maturity date	*Nominal amount US$*	*Coupon rate*	*Amortized cost US$*
12 October 2017	1,000,000	5.00%	1,001,353
4 October 2022	3,000,000	6.10%	3,043,323
27 January 2023	2,000,000	6.00%	2,048,834
27 November 2026	1,800,000	6.60%	1,826,649
29 November 2027	1,000,000	6.75%	1,008,775
29 November 2027	1,000,000	6.75%	1,006,879
29 November 2027	1,000,000	6.75%	1,006,879
29 November 2027	2,000,000	6.75%	2,044,248
			12,986,940
		Equivalent to LL (000)	19,577,813
Accrued interest receivable			198,260
			19,776,073

16 INVESTMENT IN AN ASSOCIATE

During the year 2014, the Bank acquired 286,504 shares in "Peterhouse Corporated Finance Limited", a company based in the United Kingdom, representing 21.19% of the company's total shares. During 2015, the Bank acquired 94,569 additional shares in "Peterhouse Corporated Finance Limited" and received stock dividends of 28,650 shares increasing the percentage ownership to 21.29% of the company's total shares.

The balance of the investment in this associate amounted to LL (000) 1,752,525 as at 31 December 2015 (2014: LL (000) 1,431,312) and the Bank's share of losses amounted to LL (000) 89,266 for the year ended 31 December 2015 (2014: Bank's share of profits amounted to LL (000) 175,631).

During the year 2015, the Bank acquired one share in "LiBank Investment Management Company", a company established in the Cayman Islands, for US$ 1 representing 100% of the company's total shares.

17 PROPERTY AND EQUIPMENT

	Computer hardware LL (000)	*Motor vehicle LL (000)*	*Furniture and fixture LL (000)*	*Equipment LL (000)*	*Advances on property and equipment LL (000)*	*Total LL (000)*
Cost :						
At 1 January 2015	429,352	65,441	816,401	80,408	250,389	1,641,991
Additions	45,977	-	8,845	8,728	50,356	113,906
Transfers	78,104	-	66,961	107,558	(252,623)	-
At 31 December 2015	**553,433**	**65,441**	**892,207**	**196,694**	**48,122**	**1,755,897**
Depreciation:						
As at 1 January 2015	(141,894)	(14,680)	(69,485)	(7,739)	-	(233,798)
Charge for the year	(100,895)	(6,544)	(70,340)	(13,469)	-	(191,248)
At 31 December 2015	**(242,789)**	**(21,224)**	**(139,825)**	**(21,208)**	**-**	**(425,046)**
Net carrying amount:						
At 31 December 2015	**310,644**	**44,217**	**752,382**	**175,486**	**48,122**	**1,330,851**

	Computer hardware LL (000)	*Motor vehicle LL (000)*	*Furniture and fixture LL (000)*	*Equipment LL (000)*	*Advances on property and equipment LL (000)*	*Total LL (000)*
Cost :						
At 1 January 2014	362,545	65,441	411,188	46,881	5,444	891,499
Additions	67,342	-	449,462	33,527	250,389	800,720
Transfers	-	-	-	-	(5,444)	(5,444)
Disposals	(535)	-	(44,249)	-	-	(44,784)
At 31 December 2014	429,352	65,441	816,401	80,408	250,389	1,641,991
Depreciation:						
As at 1 January 2014	(61,760)	(8,135)	(20,214)	(3,017)	-	(93,126)
Charge for the year	(80,134)	(6,545)	(51,109)	(4,722)	-	(142,510)
Relating to disposals	-	-	1,838	-	-	1,838
At 31 December 2014	(141,894)	(14,680)	(69,485)	(7,739)	-	(233,798)
Net carrying amount:						
At 31 December 2014	287,458	50,761	746,916	72,669	250,389	1,408,193

18 INTANGIBLE ASSETS

	Software	
	2015	*2014*
	LL (000)	*LL (000)*
Cost:		
Balance as at 1 January	**469,522**	374,595
Additions during the year	**37,984**	89,483
Transfers	-	5,444
At 31 December	**507,506**	469,522
Amortization:		
Balance as at 1 January	**(143,526)**	(63,383)
Charge for the year	**(99,149)**	(80,143)
At 31 December	**(242,675)**	(143,526)
Net carrying amount:		
At 31 December	**264,831**	325,996

19 OTHER ASSETS

	2015	*2014*
	LL (000)	*LL (000)*
Mandatory deposit with the Lebanese Treasury (a)	**4,500,100**	4,500,100
Advances on an investment (b)	**1,587,403**	-
Receivables from advisory services (c)	**72,958**	242,684
Prepayments	**456,865**	195,660
Advances on wages and salaries	**103,230**	89,698
Others	**130,714**	38,323
	6,851,270	5,066,465

(a) This deposit represents a blocked amount with the Lebanese Treasury made by the Bank on its constitution date (according to paragraph b of Article 132 of the Code of Money and Credit) which will only be recovered upon the Bank's liquidation.

(b) The Bank is in the process of acquiring a 35% stake in "Kingdom Bank Limited", located in UK, through the purchase of 1,475,990 ordinary shares. On 9 November 2015, the Bank paid an amount of GBP 327,000 (equivalent to LL(000) 730,014) representing a down payment on acquisition of this investment pending the approvals of the Central Bank of Lebanon and the Central Bank of England is still not obtained. The remaining balance represents capitalized expenses related to this acquisition.

(c) Receivables from advisory services includes an amount of LL (000) 44,649 representing the balance due from a related party (2014: LL (000) 100,695) (note 28).

20 DUE TO BANKS AND FINANCIAL INSTITUTIONS

	2015	*2014*
	LL (000)	*LL (000)*
Sight deposits	**11,689,498**	3,030,589

21 CUSTOMERS' DEPOSITS AT AMORTIZED COST

	2015 LL (000)	2014 LL (000)
Current accounts	**6,445,336**	1,778,916
Term deposits	**31,098,049**	13,979,707
Accrued interest	**289,107**	153,183
	37,832,492	15,911,806

22 DEPOSITS FROM RELATED PARTIES AT AMORTIZED COST

	2015 LL (000)	2014 LL (000)
Current accounts	**1,416,375**	1,445,316
Term deposits	**99,751,881**	90,376,708
Accrued interest	**932,269**	1,352,630
	102,100,525	93,174,654

23 OTHER LIABILITIES

	2015 LL (000)	2014 LL (000)
Due to the National Social Security Fund	**20,767**	4,894
Taxes on salaries and remunerations	**55,634**	69,405
Payable to committee	**69,722**	135,675
Subscriptions and other payables	**270,372**	323,728
Other taxes payable	**195,182**	147,584
Accrued charges	**171,076**	121,519
	782,753	802,805

24 SHARE CAPITAL

	Authorized, issued and fully paid	
	2015 LL (000)	2014 LL (000)
600,000 shares of a nominal value of LL (000) 100 each	**60,000,000**	60,000,000

The extraordinary general assembly meeting held on 3 April 2014 resolved to reconstitute the bank's capital to cover the losses incurred during the year 2012 by first decreasing it from LL (000) 45,000,000 to LL (000) 42,739,426 and then increasing it back to LL (000) 45,000,000. The increase and decrease is considered as a single operation taking place simultaneously on an undivided basis.

The Bank of Lebanon approved the reconstitution transaction on 25 June 2014.

The extraordinary general assembly further approved, the increase of the bank's share capital from LL (000) 45,000,000 to LL (000) 60,000,000 through issuing 150,000 shares of a nominal value of LL (000) 100 each.

As at 31 December 2014 and 2015, the additional shares were issued and fully paid.

25 RESERVES

- Non-Distributable reserves

a) Reserve 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 Bank's equity and cannot be distributed as dividends. This reserve amounted to LL (000) 531,331 as at 31 December 2015 (2014: LL (000) 212,005).

b) Legal reserve

As required by the Lebanese Code of Commerce and the Bank's articles of association, 10% of the net profit for the year has to be transferred to legal reserve. An amount of LL (000) 87,918 was transferred to legal reserve for the year ended 31 December 2015 (2014: LL (000) 70,667). This reserve is not available for distribution.

- Distributable reserve

c) General reserve

In accordance with the General Assembly decisions, the Bank appropriated general reserve from profits of previous years. This reserve amounting to LL (000) 454,834 as at 31 December 2015 (2014: LL (000) 423,990) is available for distribution.

26 CUMULATIVE CHANGES IN FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2015	*2014*
	LL (000)	*LL (000)*
Balance at 1 January	**(79,969)**	444,413
Net unrealized loss on financial assets at fair value through other comprehensive income	**(99,880)**	(524,382)
Balance at 31 December	**(179,849)**	(79,969)

27 ASSETS HELD IN CUSTODY AND UNDER ADMINISTRATION

	2015	*2014*
	LL (000)	*LL (000)*
Fiduciary deposits	**14,878,962**	16,689,829
Financial instruments under custody	**85,564,787**	43,670,797
	100,443,749	60,360,626

28 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Bank and entities controlled or significantly influenced by such parties.

Transactions with related parties included in the statement of comprehensive income are as follows:

	2015 *LL (000)*	*2014* *LL (000)*
Chairman and General Manager remuneration (note 7)	**(829,125)**	(678,375)
Interest expense on related parties deposits (note 4)	**(5,136,339)**	(4,287,013)
Interest income on related parties loans (note 3)	**135,241**	100,680
Commission income on advisory services to related parties (note 5)	**308,584**	454,709

Balances with related parties included in the statement of financial position are as follows:

	2015 *LL (000)*	*2014* *LL (000)*
Receivables from advisory services (note 19)	**44,649**	100,695
Deposits from related parties at amortized cost (note 22)	**102,100,525**	93,174,654
Loans and advances to related parties at amortized cost	**3,219,545**	3,330,617

29 CASH AND CASH EQUIVALENTS

	2015 *LL (000)*	*2014* *LL (000)*
Cash	**70,007**	2,049
Deposits with banks with original maturity less than 3 months	**4,082,411**	2,746,724
Due to banks with original maturity less than 3 months	**(11,689,498)**	(3,030,589)
	(7,537,080)	(281,816)

30 COMMITMENTS AND CONTINGENCIES

	2015 *LL (000)*	*2014* *LL (000)*
a- Future minimum lease payments:		
Within one year	**284,031**	270,900
After one year but not more than five years	**-**	284,031
Total operating lease contracted for at the statement of financial position date	**284,031**	554,931

b- During 2015, the Bank invested in companies pursuant to the provisions of Central Bank of Lebanon Intermediary circular 331 dated 22 August 2013. In accordance with this circular, the Bank can benefit from facilities granted by the Central Bank of Lebanon to be invested in startup companies, whose objects are restricted to supporting the development, success and growth in Lebanon. These investments have resulted in future commitments on the Bank of LL(000) 5,087,813 as of 31 December 2015 (Note 13).

31 FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of fair value and fair value hierarchy

The fair value of financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. 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.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	2015		
	Level 1 ***LL (000)***	***Level 2*** ***LL (000)***	***Total*** ***LL (000)***
Financials assets at fair value through profit or loss:			
Lebanese treasury bills – Eurobonds	**16,872,740**	**-**	**16,872,740**
Lebanese treasury bills denominated in Lebanese Lira	**-**	**36,572,202**	**36,572,202**
Lebanese certificate of deposits	**-**	**39,426,981**	**39,426,981**
LiBank Global Balanced Fund	**2,765,057**	**-**	**2,765,057**
	19,637,797	**75,999,183**	**95,636,980**

	2014		
	Level 1 *LL (000)*	*Level 2* *LL (000)*	*Total* *LL (000)*
Financials assets at fair value through profit or loss:			
Lebanese treasury bills – Eurobonds	20,972,970	-	20,972,970
Lebanese treasury bills denominated in Lebanese Lira	-	34,818,363	34,818,363
Lebanese certificate of deposits	-	40,692,236	40,692,236
	20,972,970	75,510,599	96,483,569

The following table shows an analysis of financial instruments not carried at fair value by the level of fair value hierarchy:

	2015			
	Level 1 ***LL (000)***	***Level 2*** ***LL (000)***	***Level 3*** ***LL (000)***	***Total*** ***LL (000)***
Assets for which fair values are disclosed				
Cash and balances with the Central Bank	**70,007**	**18,963,220**	**-**	**19,033,227**
Deposits with banks and financial institutions	**-**	**2,770,524**	**-**	**2,770,524**
Financial assets at amortized cost	**50,197,743**	**16,414,384**	**-**	**66,612,127**
Investment in an associate	**-**	**1,752,525**	**-**	**1,752,525**
Loans and advances to customers at amortized cost	**-**	**-**	**14,899,237**	**14,899,237**
Loans and advances to related parties at amortized cost	**-**	**-**	**3,219,545**	**3,219,545**
Liabilities for which fair values are disclosed				
Due to banks and financial institutions	**-**	**11,689,498**	**-**	**11,689,498**
Customers' deposits at amortized cost	**-**	**37,832,492**	**-**	**37,832,492**
Deposits from related parties at amortized cost	**-**	**102,100,525**	**-**	**102,100,525**

	2014			
	Level 1 *LL (000)*	*Level 2* *LL (000)*	*Level 3* *LL (000)*	*Total* *LL (000)*
Assets for which fair values are disclosed				
Cash and balances with the Central Bank	2,049	15,124,806	-	15,126,855
Deposits with banks and financial institutions	-	888,467	-	888,467
Financial assets at amortized cost	19,776,073	19,530,201	-	39,306,274
Investment in an associate	-	1,431,312	-	1,431,312
Loans and advances to customers at amortized cost	-	-	9,053,303	9,053,303
Loans and advances to related parties at amortized cost	-	-	3,330,617	3,330,617
Liabilities for which fair values are disclosed				
Due to banks and financial institutions	-	3,030,589	-	3,030,589
Customers' deposits at amortized cost	-	15,911,806	-	15,911,806
Deposits from related parties at amortized cost	-	93,174,654	-	93,174,654

There were no transfers between levels during 2015 (2014: the same).

31 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Determination of fair value and fair value hierarchy (continued)
The fair value of financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. 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.

This category includes liquid government and corporate bonds actively traded through an exchange or clearing house, and actively traded listed equities.

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.

This category includes liquid government and corporate bonds and certificates of deposit, less actively traded through an exchange or clearing house, non-listed equities and foreign exchange swaps and forwards.

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. An input is deemed significant if it is shown to contribute more than 10% to the valuation of a financial instrument.

Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

Assets and liabilities measured at fair value using a valuation technique with significant observable inputs (Level 2)

Lebanese government treasury bills
The Bank 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, credit spreads and broker statements.

Loans and advances to banks and financial institutions and customers
The fair value of loans and advances is determined using valuation models which incorporate a range of assumptions. Loans are grouped, as far as possible, into homogeneous groups and stratified by loans with similar characteristics to improve the accuracy of valuation outputs. This approach is used mainly in Retail Banking by applying derived market interest rates on expected cash flows. These valuation techniques also consider expected credit losses and changes to behavioural profiles. For Corporate Banking, the fair value is determined by applying a credit spread for the counterparty. Credit spreads are based on regional and industry segments and take the contractual maturity of the loan facilities into consideration. In the absence of counterparty rating, the average of regional and industry segmental credit spreads are applied to the contractual maturity of the loan.

31 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Assets and liabilities measured at fair value using a valuation technique with significant observable inputs (Level 2) (continued)

Deposits by banks and customers' accounts
For the purpose of estimating fair value, deposits by banks and customers are grouped by remaining contractual maturity. Fair values are estimated using discounted cash flows, applying current rates offered for deposits of similar remaining maturities. The fair value of a deposit repayable on demand is assumed to be the amount payable on demand at the financial position date.

Assets and liabilities not carried at fair value, for which fair value approximates carrying value
For financial assets and financial liabilities that have a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair values. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

The following table shows the difference between the carrying values and fair values for the financial assets and liabilities in the statement of financial position. This table does not show the fair values of non-financial assets and liabilities.

	2015			*2014*		
	Carrying value LL (000)	*Fair value LL (000)*	*Difference LL (000)*	*Carrying value LL (000)*	*Fair value LL (000)*	*Difference LL (000)*
Financial assets						
Cash and balances with the Central Bank	**19,033,227**	**19,033,227**	**-**	15,126,855	15,126,855	-
Deposits with banks and financial institutions	**2,770,524**	**2,770,524**	**-**	888,467	888,467	-
Financial assets at fair value through profit or loss	**95,636,980**	**95,636,980**	**-**	96,483,569	96,483,569	-
Financial assets at fair value through other comprehensive income	**3,061,662**	**3,061,662**	**-**	2,025,059	2,025,059	-
Investment in an associate	**1,752,525**	**1,752,525**	**-**	1,431,312	1,431,312	-
Loans and advances to customers at amortized cost	**14,899,237**	**14,899,237**	**-**	9,053,303	9,053,303	-
Loans and advances to related parties at amortized cost	**3,219,545**	**3,219,545**	**-**	3,330,617	3,330,617	-
Financial assets at amortized cost	**66,612,127**	**66,642,357**	**30,230**	39,306,274	39,846,979	540,705
Other assets	**6,851,270**	**6,851,270**	**-**	5,066,465	5,066,465	-
	213,837,097	**213,867,327**	**30,230**	172,711,921	173,252,626	540,705
Financial liabilities						
Due to banks and financial institutions	**11,689,498**	**11,689,498**	**-**	3,030,589	3,030,589	-
Customers' deposits at amortized cost	**37,832,492**	**37,832,492**	**-**	15,911,806	15,911,806	-
Deposits from related parties at amortized cost	**102,100,525**	**102,100,525**	**-**	93,174,654	93,174,654	-
Provision for end of service indemnity	**33,123**	**33,123**	**-**	18,623	18,623	-
Provision for risks and charges	**16,047**	**16,047**	**-**	1,762	1,762	-
Other liabilities	**782,753**	**782,753**	**-**	802,805	802,805	-
	152,454,438	**152,454,438**	**-**	112,940,239	112,940,239	-

32 RISK MANAGEMENT

32.1 Introduction
Risk is inherent in the Bank's activities. The Bank is exposed to credit risk, liquidity risk, prepayment risk, operating risk and market risk. The Board of Directors is ultimately responsible for identifying and controlling risks.

32.2 CREDIT RISK

Credit risk is the risk that the Bank will incur a loss because its counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by limiting transactions with specific counterparties, and continuously assessing the creditworthiness of counterparties.

32 RISK MANAGEMENT (continued)

32.2 CREDIT RISK (continued)

Risk concentrations, maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The following table shows the maximum exposure to credit risk for the components of the statement of financial position by geography. 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.

	2015		
	Resident LL (000)	*Non resident LL (000)*	*Gross maximum exposure LL (000)*
Balances with the Central Bank	**19,033,227**	**-**	**19,033,227**
Deposits with banks and financial institutions	**2,697,223**	**73,301**	**2,770,524**
Financial assets at fair value through profit or loss	**92,871,924**	**2,765,056**	**95,636,980**
Loans and advances to customers at amortized cost	**12,172,971**	**2,726,266**	**14,899,237**
Loans and advances to related parties at amortized cost	**-**	**3,219,545**	**3,219,545**
Financial assets at amortized cost	**66,612,127**	**-**	**66,612,127**
Total credit exposure	**193,387,472**	**8,784,168**	**202,171,640**

	2014		
	Resident LL (000)	*Non resident LL (000)*	*Gross maximum exposure LL (000)*
Balances with the Central Bank	15,124,806	-	15,124,806
Deposits with banks and financial institutions	888,467	-	888,467
Financial assets at fair value through profit or loss	96,483,569	-	96,483,569
Loans and advances to customers at amortized cost	8,285,122	768,181	9,053,303
Loans and advances to related parties at amortized cost	754,692	2,575,925	3,330,617
Financial assets at amortized cost	39,306,274	-	39,306,274
Total credit exposure	160,842,930	3,344,106	164,187,036

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank using internal and external credit ratings. The credit quality of loans and advances is managed using 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 Bank's internal credit rating system.

	2015				
	Neither past due nor impaired				
	High-grade LL (000)	*Standard grade LL (000)*	*Past due but not impaired LL (000)*	*Individually impaired LL (000)*	*Total LL (000)*
Balances with the Central Bank	**18,963,220**	**-**	**-**	**-**	**18,963,220**
Deposits with banks and financial institutions	**-**	**2,770,524**	**-**	**-**	**2,770,524**
Financial assets at fair value through profit or loss:					
Lebanese government bonds	**53,444,942**	**-**	**-**	**-**	**53,444,942**
Lebanese Certificate of deposits	**39,426,981**	**-**	**-**	**-**	**39,426,981**
LiBank Global Balanced Fund	**-**	**2,765,057**	**-**	**-**	**2,765,057**
Loans and advances to customers at amortized cost	**-**	**14,899,237**			**14,899,237**
Loans and advances to related parties at amortized cost	**-**	**3,219,545**	**-**	**-**	**3,219,545**
Financial assets at amortized cost:					
Lebanese government bonds	**66,612,127**	**-**	**-**	**-**	**66,612,127**
	178,447,270	**23,654,363**	**-**	**-**	**202,101,633**

32 RISK MANAGEMENT (continued)

32.2 CREDIT RISK (continued)

Credit quality per class of financial assets (continued)

	2014				
	Neither past due nor impaired				
	High-grade LL (000)	*Standard grade LL (000)*	*Past due but not impaired LL (000)*	*Individually impaired LL (000)*	*Total LL (000)*
Balances with the Central Bank	15,124,806	-	-	-	15,124,806
Deposits with banks and financial institutions	-	888,467	-	-	888,467
Financial assets at fair value through profit or loss:					
Lebanese government bonds	55,971,333	-	-	-	55,971,333
Lebanese Certificate of deposits	40,692,236	-	-	-	40,692,236
Loans and advances to customers at amortized cost	-	9,053,303	-	-	9,053,303
Loans and advances to related parties at amortized cost	-	3,330,617	-	-	3,330,617
Financial assets at amortized cost:					
Lebanese government bonds	39,306,274	-	-	-	39,306,274
	151,094,649	13,272,387	-	-	164,367,036

32.3 LIQUIDITY RISK AND FUNDING MANAGEMENT

Liquidity risk is defined as the risk that the bank 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 Bank 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 capital base, manages assets with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities.

Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities
The table below summarizes the maturity profile of the undiscounted cash flows of the Bank's financial assets and liabilities as at 31 December.

	31 December 2015					
	Up to 1 month LL (000)	*1 to 3 months LL (000)*	*3 to 12 months LL (000)*	*1 to 5 years LL (000)*	*Over 5 years LL (000)*	*Total LL (000)*
Financial assets						
Cash and balances with Central Bank	8,467,273	4,533,963	6,054,973	-	-	19,056,209
Deposits with banks and financial institutions	2,770,524	-	-	-	-	2,770,524
Financial assets at fair value through profit or loss	1,759,509	1,340,328	5,079,352	26,016,090	79,515,063	113,710,342
Financial assets at fair value through other comprehensive income	3,061,662	-	-	-	-	3,061,662
Investment in an associate	1,752,525	-	-	-	-	1,752,525
Loans and advances to customers and related parties at amortized cost	8,484,817	2,043,547	1,483,332	5,906,292	1,731,171	19,649,159
Financial assets at amortized cost	90,450	701,657	3,713,209	28,131,879	93,552,214	126,189,409
Total undiscounted financial assets	26,386,760	8,619,495	16,330,866	60,054,261	174,798,448	286,189,830
Financial liabilities						
Due to banks and financial institutions	11,689,498	-	-	-	-	11,689,498
Customers' deposits at amortized cost	15,160,227	5,320,273	17,062,144	-	-	37,542,644
Deposits from related parties at amortized cost	1,152,172	60,379,936	41,992,103	-	-	103,524,211
Total undiscounted financial liabilities	28,001,897	65,700,209	59,054,247	-	-	152,756,353
Net undiscounted financial assets	(1,615,137)	(57,080,714)	(42,723,381)	60,054,261	174,798,448	133,433,477

32 RISK MANAGEMENT (continued)

32.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (continued)

Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities (continued)

	31 December 2014					
	Up to 1 month LL (000)	*1 to 3 months LL (000)*	*3 to 12 months LL (000)*	*1 to 5 years LL (000)*	*Over 5 years LL (000)*	*Total LL (000)*
Financial assets						
Cash and balances with Central Bank	4,574,355	4,522,500	6,030,000	-	-	15,126,855
Deposits with banks and financial institutions	888,467	-	-	-	-	888,467
Financial assets at fair value through profit or loss	1,451,837	-	-	-	95,031,732	96,483,569
Financial assets at fair value through other comprehensive income	-	-	-	-	2,025,059	2,025,059
Investment in an associate	-	-	-	-	1,431,312	1,431,312
Loans and advances to customers and related parties at amortized cost	45,878	-	-	13,175,427	123,615	13,344,920
Financial assets at amortized cost	121,250	282,900	8,232,023	15,717,995	32,947,720	57,301,888
Total undiscounted financial assets	7,081,787	4,805,400	14,262,023	28,893,422	131,559,438	186,602,070
Financial liabilities						
Due to banks and financial institutions	3,030,589	-	-	-	-	3,030,589
Customers' deposits at amortized cost	3,485,057	4,734,665	7,692,084	-	-	15,911,806
Deposits from related parties at amortized cost	31,569,925	57,876,199	3,728,530	-	-	93,174,654
Total undiscounted financial liabilities	38,085,571	62,610,864	11,420,614	-	-	112,117,049
Net undiscounted financial assets	(31,003,784)	(57,805,464)	2,841,409	28,893,422	131,559,438	74,485,021

32.4 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, 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.

(a) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair values of financial instruments. The bank's interest rate sensitivity gap based on the earlier of contractual repricing or maturity date at 31 December was as follows:

	31 December 2015					
	Up to 1 month LL (000)	***1 to 3 months LL (000)***	***3 to 12 months LL (000)***	***1 to 5 years LL (000)***	***Over 5 years LL (000)***	***Total LL (000)***
Financial assets						
Cash and balances with the Central Bank	8,480,727	4,522,500	6,030,000	-	-	19,033,227
Deposits with banks and financial institutions	2,770,524	-	-	-	-	2,770,524
Financial assets at fair value through profit or loss	2,765,056	-	-	-	92,871,924	95,636,980
Financial assets at fair value through other comprehensive income	-	-	-	-	3,061,662	3,061,662
Investment in an associate	-	-	-	-	1,752,525	1,752,525
Loans and advances to customers at amortized cost	7,832,802	232,808	916,759	5,106,170	810,698	14,899,237
Loans and advances to related parties at amortized cost	679,219	1,784,105	-	756,221	-	3,219,545
Financial assets at amortized cost	-	-	-	13,066,575	53,545,552	66,612,127
Total financial assets	22,528,328	6,539,413	6,946,759	18,928,966	152,042,361	206,985,827
Financial liabilities						
Due to banks and financial institutions	11,689,498	-	-	-	-	11,689,498
Customers' deposits at amortized cost	15,313,000	14,558,492	6,670,000	1,291,000	-	37,832,492
Deposits from related parties at amortized cost	1,150,000	59,676,525	40,318,000	956,000	-	102,100,525
Total financial liabilities	28,152,498	74,235,017	46,988,000	2,247,000	-	151,622,515
Net financial assets	(5,624,170)	(67,695,604)	(40,041,241)	16,681,966	152,042,361	55,363,312

32 RISK MANAGEMENT (continued)

32.4 MARKET RISK (continued)

(a) Interest rate risk (continued)

	31 December 2014					
	Up to 1 month LL (000)	*1 to 3 months LL (000)*	*3 to 12 months LL (000)*	*1 to 5 years LL (000)*	*Over 5 years LL (000)*	*Total LL (000)*
Financial assets						
Cash and balances with the Central Bank	9,096,855	-	6,030,000	-	-	15,126,855
Deposits with banks and financial institutions	888,467	-	-	-	-	888,467
Financial assets at fair value through profit or loss	-	1,451,835	-	329,416	94,702,318	96,483,569
Financial assets at fair value through other comprehensive income	-	-	-	-	2,025,059	2,025,059
Investment in an associate	-	-	-	-	1,431,312	1,431,312
Loans and advances to customers at amortized cost	-	-	8,260,659	732,016	60,628	9,053,303
Loans and advances to related parties at amortized cost	-	-	-	3,330,617	-	3,330,617
Financial assets at amortized cost	7,502,964	508,800	-	10,220,783	21,073,727	39,306,274
Total financial assets	17,488,286	1,960,635	14,290,659	14,612,832	119,293,044	167,645,456
Financial liabilities						
Due to banks and financial institutions	3,030,589	-	-	-	-	3,030,589
Customers' deposits at amortized cost	3,485,060	4,734,658	7,692,088	-	-	15,911,806
Deposits from related parties at amortized cost	31,569,925	57,876,199	3,728,530	-	-	93,174,654
Total financial liabilities	38,085,574	62,610,857	11,420,618	-	-	112,117,049
Net financial assets	(20,597,288)	(60,650,222)	2,870,041	14,612,832	119,293,044	55,528,407

Interest rate sensitivity

The following table shows the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Bank's income statement.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the profit or loss for a year, based on the floating rate financial assets and financial liabilities and to the reinvestment or refunding of fixed rated financial assets and liabilities at the assumed rates, including the effect of hedging instruments.

		2015	2014
Currency	***Increase in basis points***	***Effect on net interest income LL (000)***	*Effect on net interest income LL (000)*
LBP	**50 basis point**	**531,631**	215,362
US Dollar	**50 basis point**	**(239,317)**	74,458
Other	**50 basis point**	**23,290**	17,709

(b) 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 trading position, debit or credit, that does not exceed at any time 1% of net Tier 1 equity on condition that the global position does not exceed 40% of net Tier 1 equity. This is subject to the Bank's commitment to comply in a timely and consistent manner with the required capital adequacy ratio.

32 RISK MANAGEMENT (continued)

32.4 MARKET RISK (continued)

(b) Currency risk (continued)

The following represents the breakdown of assets and liabilities by currency as at 31 December:

	2015				
	LL	*USD*	*GBP*	*EUR*	*Total*
	LL (000)	*LL (000)*	*LL (000)*	*LL (000)*	*LL (000)*
Assets					
Cash and balances with the Central Bank	29,092	19,004,135	-	-	19,033,227
Deposits with banks and financial institutions	1,138,978	1,129,730	11,373	490,443	2,770,524
Financial assets at fair value through profit or loss	92,871,923	2,765,057	-	-	95,636,980
Financial assets at fair value through other comprehensive income	942,187	14,468	2,105,007	-	3,061,662
Investment in an associate	-	-	1,752,525	-	1,752,525
Loans and advances to customers at amortized cost	7,832,802	5,259,928	1,806,507	-	14,899,237
Loans and advances to related parties at amortized cost	679,219	72,460	2,467,866	-	3,219,545
Financial assets at amortized cost	16,414,384	50,197,743	-	-	66,612,127
Property and equipment	1,316,922	13,929	-	-	1,330,851
Intangible assets	264,831	-	-	-	264,831
Other assets	4,337,605	2,513,665	-	-	6,851,270
Total assets	125,827,943	80,971,115	8,143,278	490,443	215,432,779
Liabilities and equity					
Liabilities					
Due to banks and financial institutions	-	10,592,252	1,029,725	-	11,621,977
Customers' deposits at amortized cost	289,306	34,539,775	2,596,153	407,258	37,832,492
Deposits from related parties at amortized cost	19,028,827	82,978,635	93,049	14	102,100,525
Other liabilities	58,863	723,890	-	-	782,753
Provision for risks and charges	49,170	-	-	-	49,170
Total liabilities	19,426,166	128,834,552	3,718,927	407,272	152,386,917
Net exposure	106,401,777	(47,863,437)	4,424,351	83,171	63,045,862

	2014				
	LL	*USD*	*GBP*	*EUR*	*Total*
	LL (000)	*LL (000)*	*LL (000)*	*LL (000)*	*LL (000)*
Assets					
Cash and balances with the Central Bank	98,681	15,022,332	3,846	1,996	15,126,855
Deposits with banks and financial institutions	434,926	248,501	-	205,040	888,467
Financial assets at fair value through profit or loss	38,062,222	58,421,347	-	-	96,483,569
Financial assets at fair value through other comprehensive income	-	219,456	1,805,603	-	2,025,059
Investment in an associate	-	-	1,431,312	-	1,431,312
Loans and advances to customers at amortized cost	-	7,863,606	1,189,697	-	9,053,303
Loans and advances to related parties at amortized cost	-	754,692	2,575,925	-	3,330,617
Financial assets at amortized cost	19,530,201	19,776,073	-	-	39,306,274
Property and equipment	1,378,659	29,534	-	-	1,408,193
Intangible assets	325,996	-	-	-	325,996
Other assets	4,190,365	751,987	124,113	-	5,066,465
Total assets	64,021,050	103,087,528	7,130,496	207,036	174,446,110
Liabilities and equity					
Liabilities					
Due to banks and financial institutions	-	271,602	2,759,203	-	3,030,805
Customers' deposits at amortized cost	1,730,533	13,611,329	381,312	188,632	15,911,806
Deposits from related parties at amortized cost	18,986,466	74,140,804	47,384	8	93,174,662
Other liabilities	211,279	172,318	419,208	-	802,805
Provision for risks and charges	20,385	-	-	-	20,385
Total liabilities	20,948,663	88,196,053	3,607,107	188,640	112,940,463
Net exposure	43,072,387	14,891,475	3,523,389	18,396	61,505,647

32 RISK MANAGEMENT (continued)

32.4 MARKET RISK (continued)

(b) Currency risk (continued)

The Bank's exposure to currency risk
Balances denominated in US Dollars are not considered to constitute a significant currency risk as the exchange rate of the Lebanese Lira against the US Dollar has remained stable in recent years.

As at 31 December 2015, the Bank's exposure to major currencies comprise the Sterling Pound in the amount equivalent to LL (000) 4,574,920 (2014: LL (000) 3,523,389).

A 5% change in the foreign exchange rate of the Sterling pound against the Lebanese Lira would not have a significant impact on the bank's profit or loss.

32.5 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 Bank cannot expect to eliminate all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

32.6 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 Bank's assets and liabilities as at 31 December 2015 was as follows:

As at 31 December 2015	*Less than 12 months LL (000)*	*Over 12 months LL (000)*	*Total LL (000)*
Assets			
Cash and balances with the Central bank	**19,033,227**	**-**	**19,033,227**
Deposits with banks and financial institutions	**2,770,524**	**-**	**2,770,524**
Financial assets at fair value through profit or loss	**2,765,056**	**92,871,924**	**95,636,980**
Financial assets at fair value through other comprehensive income	**-**	**3,061,662**	**3,061,662**
Investment in an associate	**-**	**1,752,525**	**1,752,525**
Loans and advances to customers at amortized cost	**8,982,369**	**5,916,868**	**14,899,237**
Loans and advances to related parties at amortized cost	**2,463,324**	**756,221**	**3,219,545**
Financial assets at amortized cost	**-**	**66,612,127**	**66,612,127**
Property and equipment	**1,330,851**	**-**	**1,330,851**
Intangible assets	**264,831**	**-**	**264,831**
Other assets	**6,851,270**	**-**	**6,851,270**
Total assets	44,461,452	170,971,327	215,432,779
Liabilities			
Due to banks and financial institutions	11,689,498	-	11,689,498
Customers' deposits at amortized cost	36,541,492	1,291,000	37,832,492
Deposits from related parties at amortized cost	101,144,525	956,000	102,100,525
Other liabilities	782,753	-	782,753
Provision for risks and charges	-	49,170	49,170
Total liabilities	150,158,268	2,296,170	152,454,438
Net	(105,696,816)	168,675,157	62,978,341

32 RISK MANAGEMENT (continued)

32.6 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

As at 31 December 2014	*Less than 12 months LL (000)*	*Over 12 months LL (000)*	*Total LL (000)*
Assets			
Cash and balances with the Central bank	15,126,855	-	15,126,855
Deposits with banks and financial institutions	888,467	-	888,467
Financial assets at fair value through profit or loss	1,451,837	95,031,732	96,483,569
Financial assets at fair value through other comprehensive income	-	2,025,059	2,025,059
Investment in an associate	-	1,431,312	1,431,312
Loans and advances to customers at amortized cost	-	9,053,303	9,053,303
Loans and advances to related parties at amortized cost	-	3,330,617	3,330,617
Financial assets at amortized cost	6,511,443	32,794,831	39,306,274
Property and equipment	-	1,408,193	1,408,193
Intangible assets	-	325,996	325,996
Other assets	566,365	4,500,100	5,066,465
Total assets	24,544,967	149,901,143	174,446,110
Liabilities			
Due to banks and financial institutions	3,030,589	-	3,030,589
Customers' deposits at amortized cost	15,911,806	-	15,911,806
Deposits from related parties at amortized cost	93,174,654	-	93,174,654
Other liabilities	802,805	-	802,805
Provision for risks and charges	-	20,385	20,385
Total liabilities	112,919,854	20,385	112,940,239
Net	(88,374,887)	149,880,758	61,505,871

32.7 PREPAYMENT RISK

Prepayment risk is the risk that the Bank will incur a financial loss because counterparties repay or request repayment earlier than expected. Market conditions causing prepayment is not significant in the markets in which the Bank operates. Therefore, the Bank considers the effect of prepayment on net interest income not material after taking into account the effect of any prepayment penalties.

32.8 CAPITAL MANAGEMENT

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank 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 Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.