

BANK AUDI sal

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024



Building a better
working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BANK AUDI sal

Adverse Opinion

We have audited the consolidated financial statements of Bank Audi SAL (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, because of the significance of matters discussed in the "*Basis for Adverse Opinion*" section of our report, the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Adverse Opinion

1. As disclosed in Note 2.1 to the consolidated financial statements, the Group did not apply the requirements of IAS 29 – Financial Reporting in Hyperinflationary Economies ("IAS 29") in the consolidated financial statements from and for the years from which the Republic of Lebanon and the Republic of Türkiye have been designated as a hyperinflationary economy, including the current year ended 31 December 2024, nor did the Group consider its effects on forecasts and discount rates used in accounting estimates. In addition, as disclosed in Note 25, during 2022, the Group determined the carrying amount of lands and real estate in Lebanon based on a valuation performed by an accredited external independent valuer in US Dollars and then translated it to Lebanese Pounds at the Sayrafa rate of LBP 89,500 for the US Dollar as at 31 December 2023 as required by the Central Bank of Lebanon Intermediate Circular 659. The gain from revaluation amounting to LBP 10,344 billion was recognized in other comprehensive income for the year ended 31 December 2023. During the year ended 31 December 2024, the Group recorded an additional gain from revaluation amounting to LBP 1,344 billion recognized in other comprehensive income. In accordance with IAS 29, the historical cost should be restated from the date of acquisition by applying the general price index, and then compared to the appraised amount with the difference treated as required by IAS 16 – Property, Plant and Equipment ("IAS 16"); and subsequently, the appraised carrying amount should be restated from the date of the appraisal by applying the general price index. In addition, due to the lack of information and visibility on the impact of the current macroeconomic crisis in Lebanon, we were unable to conclude on the adequacy of the appraised amount. Had the Group applied the requirements of IAS 29, and considered its effects on accounting estimates, many elements and disclosures in the consolidated financial statements, including comparative financial information, would have been materially different. The effects on the consolidated financial statements from this departure have not been determined. Our opinion for the year ended 31 December 2023 was modified for the same reasons.

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF BANK AUDI sal (continued)**

Basis for Adverse Opinion (continued)

2. As disclosed in Note 1 to the consolidated financial statements, the Group had used the official published exchange rates for the translation of its monetary assets and liabilities denominated in foreign currencies and the assets and liabilities of its foreign operations and all transactions in foreign currencies during 2021, 2022 and 2023, instead of using the rates at which the future cash flows could have been settled as required by IAS 21 – The Effects of Changes in Foreign Exchange Rates, when several exchange rates are available. This caused us to qualify our opinion on the financial statements relating to those years, as other exchange rates through legal exchange mechanisms were available, depending on the source and nature of the operation or balance, and which should have been used by the Group to comply with the requirements of IAS 21. As disclosed in Note 1 to the consolidated financial statements, from January 2024, the official published exchange rate was set at LL 89,500 to the US Dollar which converged with the rates of the legal exchange mechanism for the exchange of foreign currencies not subject to de-facto capital controls throughout the period and up to date. With respect to foreign currencies subject to de-facto capital controls, we were unable to conclude whether this exchange rate is that at which the future cash flows could have been settled if those cash flows had occurred at the measurement date. In addition, the Group recorded the impact of the change in exchange rates used, in the consolidated statement of income statement for the year ended 31 December 2024 under “Net trading gain” and in the consolidated statement of comprehensive income for the year ended 31 December 2024 under “Exchange differences on translation of foreign operations”. The Group did not restate comparative amounts which is a departure from IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”). As we were unable to satisfy ourselves on the appropriate exchange rate to be used on foreign currencies subject to de-facto capital controls, we were unable to determine whether any adjustments were necessary to many accounts and disclosures in the consolidated financial statements. Also, had the Group applied the requirements of IAS 21 and used the rate at which the future cashflows could have been settled during 2021, 2022 and 2023, and had the Group applied the requirements of IAS 8, many accounts and disclosures in the consolidated financial statements, including comparative financial information, would have been materially different. The effects on the consolidated financial statements from the departure of IAS 21 and IAS 8 have not been determined.
3. As at 31 December 2024, the Group holds balances with the Central Bank of Lebanon amounting to LBP 818,979 billion (2023: LBP 140,621 billion), a portfolio of Lebanese government treasury securities and Certificate of deposits (under financial assets at amortized cost) totalling LBP 60,348 billion (2023: LBP 12,672 billion), a portfolio of loans amounting to LBP 9,840 billion (2023: LBP 3,425 billion) and other balances with banks and other assets amounting to LBP 4,238 billion (2023: LBP 892 billion), concentrated in Lebanon which represent 60% of the Group’s total assets as at 31 December 2024 (2023: 57%).

As disclosed in Note 1, the consolidated financial statements do not include adjustments required by IFRS 9 – Financial Instruments to the carrying amounts of the above assets and to many related accounts and disclosures that would result from resolution of the uncertainties described in Note 1.

Furthermore, the Group has engaged in several transactions involving modification of contractual cash flows, renegotiations, exchanges and extinguishment of financial assets and financial liabilities. The Group has not applied the requirements of IFRS 9 and assessed whether these transactions should be accounted for as modifications resulting in derecognition or no derecognition, nor is the Group calculating and accounting for the impact of such modifications, which constitutes a departure from the requirements of IFRS 9. The effects of these departures on the carrying amount of these financial instruments and related income statement accounts have not been determined. Our opinion for the year ended 31 December 2023 was modified for the same reasons above.

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF BANK AUDI sal (continued)**

Basis for Adverse Opinion (continued)

Also, as disclosed in Note 47, management did not produce the information about the fair value of these assets and other financial instruments concentrated in Lebanon and these consolidated financial statements consequently do not include the fair value disclosures required by IFRS 13 – Fair Value Measurement.

Had such adjustments and disclosures been determined and made, many elements and related disclosures in the accompanying consolidated financial statements for the years ended 31 December 2024 and 31 December 2023 would have been materially different. The effects of the resolution of these uncertainties on the consolidated financial statements and disclosures have not been determined. Our opinion for the year ended 31 December 2023 was modified for same reasons explained above.

4. As at 31 December 2024, the Group holds equity instruments in entities operating in Lebanon amounting to LBP 11,241 billion held at fair value through other comprehensive income (2023: LBP 1,709 billion). The fair value of these instruments is measured based on a mix of observable and unobservable data holding a high level of uncertainty due to lack of reliable market evidence in light of the uncertainties described in Note 1. As such, it is not possible to determine the future effects that the economic crisis described in Note 1 would have on the carrying amounts of these assets. Consequently, we were unable to determine whether any adjustments should have been recorded on these amounts. Our opinion for the year ended 31 December 2023 was modified for same reasons.
5. As at 31 December 2024, the Group carries provisions for risks and charges amounting to LBP 33,026 billion (2023: LBP 2,818 billion) for which we requested but did not receive any basis for such provision. Accordingly, we were unable to determine whether these provisions meet the recognition criteria of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Consequently, we were unable to determine whether adjustments to the carrying amount of these provisions as at 31 December 2024 and related income statement accounts for the year ended 31 December 2024 were necessary. Our opinion for the year ended 31 December 2023 was modified for same reasons.
6. As disclosed in Note 1 to the consolidated financial statements, law 330 was enacted on 4 December 2024 and its application decisions were issued by the Ministry of Finance in Lebanon on 12 March 2025. Because of the late issuance of the application decisions, management was unable to finalize its assessment and is still assessing the tax impacts of the full application of law 330 at the date of our audit report. Consequently, we were unable to determine whether any adjustments to the consolidated financial statements as at 31 December 2024 and for the year then ended were necessary.
7. The events and conditions and practices that would not qualify as normal course of business in a non-crisis environment described in Note 1 and the matters described in paragraphs 1, 2 and 3 above affect the financial position, liquidity, solvency and profitability of the Group, and expose the Group to increased litigation and regulatory risks. Significant uncertainty exists in relation to the outcome of the litigations, claims and investigations raised against the Group and the negative impact that they may have on the Group's financial position as disclosed in Notes 1 and 56. These events and conditions may cast significant doubt on the Group's ability to continue as a going concern. We were unable to obtain sufficient appropriate audit evidence about the Group's ability to continue as a going concern. Our opinion for the year ended 31 December 2023 was modified for same reasons.

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF BANK AUDI sal (continued)**

Basis for Adverse Opinion (continued)

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Lebanon, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Emphasis of Matter

We draw attention to Note 11 to the consolidated financial statements, which describes that during 2024, the Bank used the multiplier factor in acquisition of Lebanese Government Eurobonds and the settlement of several loans and advances which breaches the Central Bank of Lebanon Basic Circular 159. These transactions were queried by the regulator, whereby the latter has instructed the Bank to discontinue entering into such transactions going forward. No penalties or sanctions were imposed on the Bank as a result of these transactions. We also draw attention to Note 1 to the consolidated financial statements which describes that the Lebanese crisis which was set off during the last quarter of 2019 has resulted in several practices and transactions for which there are no directly observable prices or a governing legal/regulatory framework. Our opinion is not further modified with respect to this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2024. Except for the matters described in the "*Basis for Adverse Opinion*" section of our report, we have determined that there are no other key audit matters to communicate in our report.

Other Information Included in the Group's 2024 Annual Report

Other information consists of the information included in the Group's Annual Report other than the consolidated financial statements and our auditors' report thereon. Management is responsible for the other information. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. As described in the "*Basis for Adverse Opinion*" section of our report, the consolidated financial statements do not include adjustments arising from the matters set out therein. We have concluded that the other information is materially misstated for the same reasons with respect to the amounts or other items in the Group's 2024 Annual Report affected by matters reported in the "*Basis for Adverse Opinion*".

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF BANK AUDI sal (continued)**

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF BANK AUDI sa (continued)**

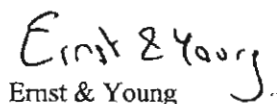
Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

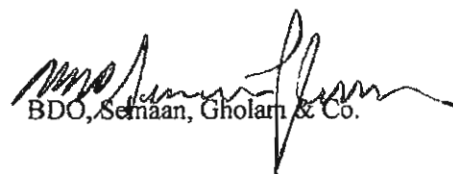
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.


Ernst & Young

26 May 2025
Beirut, Lebanon


BDO, Semaan, Gholam & Co.

Bank Audi sal

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2024

	Notes	2024 LBP Million	2023 LBP Million
CONTINUING OPERATIONS			
Interest and similar income	4	22,542,404	6,024,914
Interest and similar expense	5	(3,052,349)	(720,304)
Net interest income		19,490,055	5,304,610
Fee and commission income	6	11,297,134	1,954,696
Fee and commission expense	7	(1,320,019)	(140,585)
Net fee and commission income		9,977,115	1,814,111
Net trading gain	8	10,238,092	1,435,128
Net gain (loss) on derecognition of financial assets at amortised cost	9	201,481	(11,067)
Net (loss) gain on derecognition of financial assets at fair value through other comprehensive income		(4,940)	7
Share of profit of an associate under equity method	24	-	10,177
Other operating income	10	842,133	76,041
Total operating income		40,743,936	8,629,007
Net recovery (impairment loss) on financial assets	11	1,173,473	(2,500,575)
Net operating income		41,917,409	6,128,432
Personnel expenses	12	(9,145,621)	(2,364,295)
Other operating expenses	13	(29,185,616)	(4,253,047)
Depreciation of property and equipment and right-of-use assets	25	(740,163)	(242,957)
Amortisation of intangible assets	26	(114,347)	(20,627)
Total operating expenses		(39,185,747)	(6,880,926)
Operating income (loss)		2,731,662	(752,494)
Net (loss) gain on disposal of fixed assets		(605)	11,008
Profit (loss) before tax from continuing operations		2,731,057	(741,486)
Income tax	14	(2,055,451)	(249,006)
Profit (loss) for the year from continuing operations		675,606	(990,492)
DISCONTINUED OPERATIONS			
(Loss) profit for the year from discontinued operations, net of tax	44	(673,893)	990,812
Profit for the year		1,713	320
Attributable to:			
Equity holders of the parent		212,471	(233,195)
Profit (loss) for the year from continuing operations		675,805	(990,374)
(Loss) profit for the year from discontinued operations	44	(463,334)	757,179
Non-controlling interests		(210,758)	233,515
Loss for the year from continuing operations		(199)	(118)
(Loss) profit for the year from discontinued operations		(210,559)	233,633
		1,713	320
Earnings (loss) per share:			
		LBP	LBP
Basic and diluted earnings (loss) per share	15	362	(397)
Basic and diluted earnings (loss) per share from continuing operations	15	1,151	(1,686)
Basic and diluted (loss) earnings per share from discontinued operations	15	(789)	1,289

The attached notes 1 to 59 form part of these consolidated financial statements.

Bank Audi sal

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 LBP Million	2023 LBP Million
Profit (loss) for the year from continuing operations		675,606	(990,492)
(Loss) profit for the year from discontinued operations		(673,893)	990,812
Other comprehensive income that will be reclassified to the income statement in subsequent periods from continuing operations			
<i>Foreign currency translation</i>			
Exchange differences on translation of foreign operations		39,551,698	7,968,758
<i>Net foreign currency translation</i>		<u>39,551,698</u>	<u>7,968,758</u>
<i>Debt instruments at fair value through other comprehensive income</i>			
Change in fair value during the year		40,548	3,196
Tax effects	14	(7,293)	(639)
<i>Net gain on debt instruments at fair value through other comprehensive income</i>		<u>33,255</u>	<u>2,557</u>
Total other comprehensive income that will be reclassified to the income statement in subsequent periods from continuing operations		39,584,953	7,971,315
Other comprehensive income that will not be reclassified to the income statement in subsequent periods from continuing operations			
<i>Revaluation of lands and buildings</i>			
Revaluation gain	25	1,343,968	10,343,872
Tax effects	14	43,702	(534,872)
<i>Net revaluation of land and buildings</i>		<u>1,387,670</u>	<u>9,809,000</u>
<i>Remeasurement losses on defined benefit plans</i>			
Actuarial loss on defined benefits plans	36	(1,634,557)	(753,198)
Tax effects	14	(3,977)	46,154
<i>Net remeasurement losses on defined benefit plans</i>		<u>(1,638,534)</u>	<u>(707,044)</u>
<i>Equity instruments at fair value through other comprehensive income</i>			
Net unrealised gains		9,779,540	1,514,337
Tax effects	14	(1,628,575)	(270,115)
<i>Net unrealised gains on equity instruments at fair value through other comprehensive income</i>		<u>8,150,965</u>	<u>1,244,222</u>
Total other comprehensive income that will not be reclassified to the income statement in subsequent periods from continuing operations		7,900,101	10,346,178
Other comprehensive income for the year from continuing operations, net of tax		47,485,054	18,317,493
Other comprehensive income for the year from discontinued operations, net of tax	44	11,932,961	1,712,132
Total comprehensive income for the year from continuing operations, net of tax		48,160,660	17,327,001
Total comprehensive income for the year from discontinued operations, net of tax	44	11,259,068	2,702,944
Total comprehensive income for the year, net of tax		59,419,728	20,029,945
Attributable to:			
Equity holders of the parent		56,814,463	19,389,805
Non-controlling interests		2,605,265	640,140
		<u>59,419,728</u>	<u>20,029,945</u>

The attached notes 1 to 59 form part of these consolidated financial statements.

Bank Audi sal

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 LBP Million	2023 LBP Million
ASSETS			
Cash and balances with central banks	16	865,064,542	148,469,720
Due from banks and financial institutions	17	149,978,644	24,847,986
Derivative financial instruments	18	1,134,384	452,527
Financial assets at fair value through profit or loss	19	12,599,342	4,358,540
Loans and advances to customers at amortised cost	20	85,796,399	15,165,583
Loans and advances to related parties at amortised cost	21	361,848	575,051
Debtors by acceptances		635,460	250,048
Financial assets at amortised cost	22	112,572,327	19,225,632
Financial assets at fair value through other comprehensive income	23	30,516,062	2,025,273
Investment in an associate	24	-	141,155
Property and equipment and right-of-use assets	25	22,596,627	18,524,365
Intangible assets	26	301,397	62,834
Assets obtained in settlement of debt	27	98,468	98,468
Other assets	28	5,986,037	1,152,697
Deferred tax assets	14	507,994	98,187
Goodwill	29	2,748,350	497,030
Assets held for sale	44	200,628,451	42,541,256
TOTAL ASSETS		1,491,526,332	278,486,352
LIABILITIES			
Due to central banks	30	2,823,868	2,529,211
Due to banks and financial institutions	31	23,538,927	2,826,759
Derivative financial instruments	18	1,114,034	312,937
Customers' deposits	32	1,107,716,259	190,765,621
Deposits from related parties	33	3,537,330	1,319,556
Debt issued and other borrowed funds	34	23,953,218	4,063,130
Engagements by acceptances		635,460	250,048
Other liabilities	35	18,307,380	5,812,585
Current tax liabilities	14	1,525,180	269,203
Deferred tax liabilities	14	1,940,806	310,826
Provisions for risks and charges	36	39,067,339	4,519,041
Liabilities held for sale	44	181,916,730	39,430,857
TOTAL LIABILITIES		1,406,076,531	252,409,774
SHAREHOLDERS' EQUITY – GROUP SHARE			
Share capital – common shares	37	982,859	982,859
Share capital – preferred shares	37	10,020	10,020
Issue premium – common shares	37	902,290	902,290
Issue premium – preferred shares	37	894,480	894,480
Cash contribution to capital	38	72,586	72,586
Non-distributable reserves	39	2,588,375	2,535,354
Distributable reserves	40	35,995	35,995
Treasury shares	42	(8,392)	(8,392)
Accumulated losses		(4,965,220)	(4,896,300)
Other components of equity	43	72,368,301	25,149,133
Reserves related to assets held for sale	44	9,013,806	(105,217)
Result of the year		212,471	(233,195)
NON-CONTROLLING INTERESTS	45	3,342,230	736,965
TOTAL SHAREHOLDERS' EQUITY		85,449,801	26,076,578
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,491,526,332	278,486,352

The attached notes 1 to 59 form part of these consolidated financial statements.

Bank Audi sal

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2024

	Notes	2024 LBP Million	2023 LBP Million
OPERATING ACTIVITIES			
Profit (loss) before tax from continuing operations		2,731,057	(741,486)
(Loss) profit before tax discontinued operations	44	(4,014,104)	1,013,260
Adjustments for non-cash items:			
Depreciation and amortisation	25 & 26 & 44	2,062,629	412,177
Net gain on derecognition of financial instruments at amortised cost	9 & 44	(201,481)	(81,251)
Net (recovery) impairment loss on financial assets	11 & 44	(2,767,322)	2,485,614
Gain from associates under equity method	24	-	(10,177)
Gain from acquisition of a subsidiary	24	(507,343)	-
Net gain (loss) on sale or disposal of fixed assets		605	(11,008)
Provision for risks and charges		24,339,220	3,213,982
Write-back of provisions for risks and charges		(18,860)	(1,769)
Interest expense on debt issued and other borrowed funds	34	996,445	709,789
Net foreign exchange difference		(6,660,523)	(2,198,500)
		15,960,323	4,790,631
Changes in operating assets and liabilities:			
Balances with the central banks, banks and financial institutions maturing in more than 3 months		65,134,873	24,166,952
Change in derivatives and financial assets held for trading		13,322,889	(4,571,920)
Change in loans and advances to customers and related parties		5,062,565	(22,068,295)
Change in other assets		(1,774,878)	(333,763)
Change in deposits from customers and related parties		(19,473,452)	48,949,075
Change in other liabilities		8,711,844	1,089,332
Change in provisions for risks and charges		~	(268,629)
Cash from operations		86,944,164	51,753,383
Provisions for risks and charges paid		(1,144,205)	(170,679)
Taxation paid		(1,291,995)	(105,202)
Net cash from operating activities		84,507,964	51,477,502
INVESTING ACTIVITIES			
Change in financial assets – other than trading		(28,711,112)	(25,079,533)
Purchase of property and equipment and intangibles	25 & 26	(296,729)	(689,050)
Proceeds from sale of property and equipment and intangibles		(313,380)	12,220
Net cash used in investing activities		(29,321,221)	(25,756,363)
FINANCING ACTIVITIES			
Debt issued and other borrowed funds	34	(525,053)	(328,787)
Lease liability payments	35	(132,104)	(76,542)
Net cash used in financing activities		(657,157)	(405,329)
CHANGE IN CASH AND CASH EQUIVALENTS		54,529,586	25,315,810
Foreign exchange differences		422,063,084	54,633,810
Cash and cash equivalents at 1 January		87,944,953	7,995,333
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	46	564,537,623	87,944,953
Operational cash flows from interest and dividends			
Interest paid		(2,602,337)	(651,118)
Interest received		18,973,972	5,398,543
Dividends received		4,841	1,008

The attached notes 1 to 59 form part of these consolidated financial statements.

Bank Audi sal

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributable to equity holders of the Group											Total Shareholders' Equity LBP Million			
	Share Capital - Common Shares LBP Million	Share Capital - Preferred Shares LBP Million	Issue Premium - Common Shares LBP Million	Issue Premium - Preferred Shares LBP Million	Cash Contribution to Capital LBP Million	Non-distributable Reserves LBP Million	Distributable Reserves LBP Million	Treasury Shares LBP Million	Accumulated Losses LBP Million	Other Components of Equity LBP Million	Reserves Related to Assets Held for Sale LBP Million		Result of the Year LBP Million	Total LBP Million	Non-controlling Interests LBP Million
Balance at 1 January 2024	982,859	10,020	902,290	894,480	72,586	2,535,384	35,995	(8,392)	(4,896,300)	25,149,133	(105,217)	(233,195)	25,339,613	736,965	26,076,578
Net income for the year	-	-	-	-	-	-	-	-	-	47,482,969	9,119,023	212,471	212,471	(210,758)	1,713
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	2,816,023	59,418,015
Total comprehensive income	-	-	-	-	-	-	-	-	-	47,482,969	9,119,023	212,471	212,471	2,605,265	59,419,728
Appropriation of 2023 losses	-	-	-	-	-	53,021	-	-	(286,216)	-	-	233,195	-	-	-
Sale of FVTOCI	-	-	-	-	-	-	-	-	263,801	(263,801)	-	-	(46,505)	-	(46,505)
Other movements	-	-	-	-	-	-	-	-	(46,505)	-	-	-	(46,505)	-	(46,505)
Balance at 31 December 2024	982,859	10,020	902,290	894,480	72,586	2,588,375	35,995	(8,392)	(4,965,240)	72,308,301	9,013,806	212,471	82,107,571	3,342,230	85,449,801

Attributable to equity holders of the Group

	Attributable to equity holders of the Group											Total Shareholders' Equity LBP Million			
	Share Capital - Common Shares LBP Million	Share Capital - Preferred Shares LBP Million	Issue Premium - Common Shares LBP Million	Issue Premium - Preferred Shares LBP Million	Cash Contribution to Capital LBP Million	Non-distributable Reserves LBP Million	Distributable Reserves LBP Million	Treasury Shares LBP Million	Accumulated Losses LBP Million	Other Components of Equity LBP Million	Reserves Related to Assets Held for Sale LBP Million		Result of the Year LBP Million	Total LBP Million	Non-controlling Interests LBP Million
Balance at 1 January 2023	982,859	10,020	902,290	894,480	72,586	2,529,255	35,995	(9,537)	(4,193,502)	5,408,056	-	(673,985)	5,998,517	96,825	6,055,342
Net income for the year	-	-	-	-	-	-	-	-	-	19,623,000	-	(233,195)	(233,195)	233,515	320
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	406,625	20,029,625
Total comprehensive income	-	-	-	-	-	-	-	-	-	19,623,000	-	(233,195)	19,389,805	640,140	20,029,945
Appropriation of 2022 losses	-	-	-	-	-	6,099	-	-	(680,084)	-	-	673,985	-	-	-
Discontinued operations (Note 44)	-	-	-	-	-	-	-	-	(105,217)	-	(105,217)	-	-	-	-
Treasury share transactions	-	-	-	-	-	-	-	1,145	(8,065)	-	-	-	(6,920)	-	(6,920)
Write off of FVTOCI	-	-	-	-	-	-	-	-	(12,860)	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	(1,789)	-	-	-	(1,789)	-	(1,789)
Balance at 31 December 2023	982,859	10,020	902,290	894,480	72,586	2,535,354	35,995	(8,392)	(4,896,300)	25,149,133	(105,217)	(233,195)	25,339,613	736,965	26,076,578

The attached notes 1 to 59 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

1. CORPORATE INFORMATION

Bank Audi sal (the "Bank") is a Lebanese joint stock company registered since 1962 in Lebanon under No. 11347 at the Register of Commerce and under No. 56 on the banks' list at the Central Bank of Lebanon. The Bank's head office is located in Bank Audi Plaza, Omar Daouk Street, Beirut, Lebanon. The Bank's shares are listed on the Beirut Stock Exchange. Effective 6 November 2020, the global depository receipts were delisted from the London SEAQ.

The Bank, together with its subsidiaries (collectively "the Group"), provides a full range of Retail, Commercial, Investment and Private Banking activities through its headquarters as well as its branches in Lebanon, and its presence in Europe and the Middle East.

The consolidated financial statements were authorised for issue in accordance with the Board of Directors' resolution on 15 May 2025.

1.1. Macroeconomic Environment

The Group's operations are mostly in Lebanon that has been witnessing, since 17 October 2019, severe events that have set off an interconnected fiscal, monetary and economic crisis, as well as deep recession that have reached unprecedented levels. Sovereign credit ratings have witnessed a series of downgrades by all major rating agencies and reached the level of default when, on 7 March 2020, the Lebanese Republic announced that it will withhold payment on the bonds due on 9 March 2020, which was followed by another announcement on 23 March 2020 for the discontinuation of payments on all of its US Dollar-denominated Eurobonds.

Throughout this sequence of events, the ability of the Lebanese government and the banking sector in Lebanon to borrow funds from international markets was significantly affected. Banks have imposed de-facto capital controls, restricted transfers of foreign currencies outside Lebanon, significantly reduced credit lines to companies and withdrawals of cash to private depositors, all of which added to the disruption of the country's economic activity, as the economic model of Lebanon relies mainly on imports and consumption. Businesses downsized, closed or bankrupted, and unemployment and poverty rose fast and have reached unprecedented levels.

The difficulty in accessing foreign currencies led to the emergence of a parallel market to the peg whereby the price to access foreign currencies increased constantly, deviating significantly from the peg of LBP 1,507.5 to the US Dollar. This has resulted in an uncontrolled rise in prices and the incessant de facto depreciation of the Lebanese Pound, impacting intensely the purchasing power of Lebanese citizens, driving a currency crisis, high inflation and rise in the consumer price index. In February 2023, the Central Bank of Lebanon changed the official published exchange rate from LBP 1,507.5 to LBP 15,000 to the US Dollar. In January 2024, the Central Bank of Lebanon changed the official published exchange rate from LBP 15,000 to LBP 89,500 to the US Dollar.

As a result of the de-facto capital controls, the multitude of exchange rates, the hyperinflation, and the potential repercussions of government reform measures on (i) the banks operating in Lebanon, and (ii) the Lebanese people's net worth, their local businesses and their local bank accounts, the Lebanese market saw the need to differentiate between onshore assets and offshore assets, foreign currency bank accounts that are subject to de-facto capital controls and those that are not subject to capital controls, onshore liabilities and offshore liabilities. Hence the new terms in the Lebanese market, such as "local Dollars" to designate local US Dollars bank accounts that are subject to de-facto capital controls, and "fresh funds/accounts" to designate foreign currency cash and foreign currency bank accounts which are free from capital controls (as they are sourced from foreign currency cash and/or from incoming transfers from abroad).

Lebanese Government's Financial Recovery Plan

A financial recovery plan was ratified by the Cabinet on 20 May 2022.

The plan includes several measures that are prerequisites to unlock funds from a preliminary deal with the International Monetary Fund agreed in April 2024, that could help pull the country out of a three-year financial meltdown.

The endorsed plan foresees a full audit of the Central Bank's forex financial standing. Then, the government "will cancel, at the outset, a large part of the Central Bank's foreign currency obligations to banks in order to reduce the deficit in BdL's capital," the document said. The largest 14 commercial banks, representing 83% of total assets, would also be audited. Viable banks would be recapitalised with "significant contributions" from banks' shareholders and large depositors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

1. CORPORATE INFORMATION (continued)

1.1. Macroeconomic Environment (continued)

Lebanese Government's Financial Recovery Plan (continued)

The plan made no mention of a sovereign fund to manage state-owned assets but pledges to limit recourse to public assets, which had been a demand of Lebanon's commercial banks. The plan said it would protect small depositors "to the maximum extent possible" in each viable bank but did not lay out a minimum amount to be protected – unlike draft plans. Non-viable banks, however, would be dissolved by the end of November, it added. As of today, laws for the reinstatement of financial stability, for the resolution of banks and for capital controls are yet to be issued.

International Monetary Fund

The Lebanese authorities and the IMF team have reached a staff-level agreement (SLA) on comprehensive economic policies that could be supported by a 46-month Extended Fund Arrangement (EFF) with requested access of SDR 2,173.9 million (equivalent to about USD 3 billion). This agreement is subject to approval by IMF Management and the Executive Board, after the timely implementation of all prior actions and confirmation of international partners' financial support.

Recent Political Developments

The recent political developments (Ceasefire agreement, presidential elections, PM designation, Cabinet announcement, etc) opened the country to new horizons if the opportunity is appropriately grasped on behalf of Lebanese decisions makers. This month saw the formation of a cabinet of qualified experts followed by the appointment of a new Central Bank Governor.

Banking Restructuring

On 12 April 2025, the Cabinet approved the draft banking reform law which is yet to be approved by the Parliament. Its implementation is contingent on the passage of the financial gap law, highlighting the interdependence of the three core reforms: lifting banking secrecy, restructuring banks, and closing the financial gap.

The law introduces a full legal framework for intervening in the operations of failing banks, with the aim of protecting depositors, safeguarding financial stability, and ensuring the continuity of essential banking services. As a starting point, banks are required to meet minimum capital and liquidity requirements that will be specified in the financial gap law. The law clearly outlines the conditions under which a bank is deemed to be failing or likely to fail, and introduces several restructuring tools such as recapitalization, forced mergers, and asset separation.

At the heart of the draft law is the creation of a Bank Restructuring Authority, a specialized independent body tasked with overseeing the resolution process of distressed financial institutions. This authority would have sweeping powers, including the ability to initiate bank restructuring, appoint independent valuers, enforce asset transfers, and if necessary, trigger liquidation procedures.

It remains unclear how the events mentioned above will evolve, and the Bank continues to monitor the situation closely. Any and all such events mentioned above will add up to the already material adverse prospects on the Bank's business, financial condition, results of operations, prospects, liquidity and capital position.

1.2 Regulatory Environment

During 2020 and up to the date of authorisation of issue of these consolidated financial statements, the Central Bank of Lebanon has issued several circulars to address the situations, mainly:

- Basic Circular 150 issued on 9 April 2020 and exempting banks from placing mandatory reserves with the Central Bank of Lebanon in relation to funds transferred from abroad or cash deposits in foreign currency received after 9 April 2020, subject to preserving and guaranteeing the liberty of the depositors in determining the use of these funds and benefiting from all kinds of banking services (transfers abroad, international credit card limits, foreign currency cash withdrawals...). Banks are requested to maintain at all times an amount equivalent to those funds in the form of (i) cash held in vaults at the Bank's premises, (ii) offshore accounts held with correspondents and (iii) "cash money" accounts held with BDL as per Basic Circular 165 definition. Intermediate Circular 715 issued on 21 November 2024 expanded the scope to include sovereign debts instruments issued by G10 countries and debt instruments rated "BBB" and above on the condition they are held at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

1. CORPORATE INFORMATION (continued)

1.2. Regulatory Environment (continued)

- Basic Circular 151 issued on 21 April 2020 and concerning depositors who wish to withdraw amounts of cash from their foreign currencies accounts as per a specific rate up to limits set by the Bank. The exchange rate specified by the Central Bank of Lebanon in its transactions with banks will remain applicable to all other operations in US Dollar. At maturity as at 31 December 2023, the circular was not renewed.
- Intermediate Circular 567 issued on 26 August 2020 (amending Basic Circular 23, 44 and 78), which partly altered the directives for the determination of expected credit losses and regulatory capital calculation and ratios, previously set in its Intermediate Circular 543 issued on 3 February 2020. Loss rate applied for the calculation of regulatory expected credit losses on exposures to Lebanese sovereign bonds in foreign currencies was increased from 9.45% to 45%, (later on increased again to 75% by Intermediate Circular 649), while loss rates applied for the calculation of regulatory expected credit losses on exposures to Lebanese sovereign bonds in local currency, exposures to the Central Bank of Lebanon in foreign currencies and exposures to the Central Bank of Lebanon in local currency remained the same (0%, 1.89% and 0% respectively).
 - Allowing banks to constitute the expected credit losses on exposures to Lebanese sovereign and the Central Bank of Lebanon, progressively over a period of five years, noting that the Central Bank of Lebanon's Central Council may accept to extend the term to 10 years for banks that manage to complete the 20% cash contribution to capital requirement. Intermediate circular 649 issued on 24 November 2022 replaced the aforementioned five years and ten years deadline by the fixed dates of 31 December 2026 and 31 December 2029 respectively.
 - Allowing banks not to automatically downgrade loan classification or staging for borrowers that were negatively affected by the COVID-19 pandemic, showing past due and unpaid for the period from 1 February 2020 to 31 December 2020. These borrowers must be identified as either still operating on a going concern basis or not. In case the borrower is still operating as a going concern, the Bank may reschedule the loan. In exceptional cases when the borrower ceases to operate as a going concern following the impact of the COVID-19 pandemic, the Bank must immediately downgrade the loan classification and staging to Stage 3 (default).
 - Requesting from banks to finalise the assessment of the future financial position of their customers by 31 December 2020, and to estimate expected credit losses based on this assessment and recognise the financial impact in the statement of income for the year ended 31 December 2020.
 - Prohibiting banks from distributing dividends on common shares for the years 2019 and 2020 (Years 2021, 2022, 2023, 2024 and 2025 were subsequently added by way of Intermediate Circulars 616, 659, 676 and 726 respectively).
 - Requesting from banks to increase their own funds (equity) by an amount equal to 20% of their common equity Tier 1 capital as of 31 December 2018, through issuing new foreign currency capital instruments that meet the criteria for inclusion as regulatory capital, except retained earnings and gain from revaluation of fixed assets. The Central Bank of Lebanon's Central Council may exceptionally approve for a bank to complete 50% of the 20% required capital increase through the transfer of real estate properties from the shareholders to the concerned bank. However, these real estate properties must be liquidated in a period of 5 years following the operation.
 - Changing the treatment of revaluation of fixed assets reserve for regulatory capital calculation, to become allowed for inclusion as Common Equity Tier 1 (previously 50% of this reserve was allowed for inclusion as Tier 2), subject to approval of the Central Bank of Lebanon on the revaluation gain. On 20 January 2023, Intermediate Circular 659 capped the inclusion of revaluation of fixed assets at 50% under certain conditions while allowing the use of the prevailing Sayrafa rate at the end of each reporting period over 5 years. Besides, it widened the scope of revaluation to include participations and long-term loans to affiliated banks and financial institutions. Intermediate Circular 685 issued on 28 December 2023 increased the contribution of this revaluation to Common Equity Tier 1 from 50% to 75%.
 - Banks must comply with the minimum capital adequacy ratios and are forbidden from distributing profits if these ratios drop below 7% for common equity Tier 1, 10% for Tier 1 and 12% for total capital. Banks must maintain a capital conservation buffer of 2.5%, comprised of Common Equity Tier 1. After allowing banks to draw down the buffer fully during 2020 and 2021, a partial drawn up to 1.75% in 2022, latest regulatory changes introduced on 2 February 2024 via Intermediate Circular 689 allowed a full draw down of the 2.5% buffer during years 2023 and 2024. Central Bank of Lebanon will issue future instructions for reconstitution of capital.

1. CORPORATE INFORMATION (continued)

1.2. Regulatory Environment (continued)

- Preparing and presenting to the Central Bank of Lebanon a comprehensive plan for rectifying non-compliances with regulatory capital requirements and other regulations imposed by the Central Bank of Lebanon, taking into consideration all required provisions by the Banking Control Commission of Lebanon (BCCL), as well as other losses or provisions that the Bank expects to incur from all kinds of exposures to risks, and specifying the period of time needed to address the non-compliances.
- Exceptionally for the years 2020 and 2021, Allowances for Expected Credit Losses on Stage 1 and 2 exposures, excluding those relating to Lebanese sovereign and the Central Bank of Lebanon, may be included under regulatory Common Equity Tier 1. This treatment will be amortised over a period of 3 years (2022-2024 by 25% yearly).
- Basic Circular 154 issued on 27 August 2020 and aiming mainly at restoring the operations of banks in Lebanon to their normal levels as at before October 2019, and rectifying any non-compliance with regulatory ratios and banking regulations. The circular mainly introduced the following measures:
 - Requesting banks to present a fair assessment of the value of their assets and liabilities for the purpose of putting in place the comprehensive plan referred to in Intermediate Circular 567 (refer to above), in order to be able, within a period limited in time, to comply with the regulatory and banking requirements, mainly those related to liquidity and solvency, and in order to restore the operations of the Bank to their normal levels as at before October 2019.
 - Requesting banks to incite each customer who has transferred abroad, between 1 July 2017 and the date of the circular, more than USD 500,000 or their equivalent in other foreign currencies, to deposit in a 5-year term (extended to 8-year term following Intermediate Circular 707 date 20 September 2024) "special account" an amount equal to 15% to 30% (depending on the type of customer) of the transferred amount. Banks shall use this type of deposits to facilitate foreign operations that stimulate the national economy. This is also applicable for the banks' importing customers, based on opened letters of credits during any of the years 2017, 2018 and 2019, and without a minimum threshold.
 - Requesting from banks to maintain a current account with a foreign correspondent bank offshore, free of any obligations (cash on premises and liquidity abroad). Such accounts shall be at no time less than 3% of the Bank's total foreign currency deposits as at 31 July 2020, by 28 February 2021. This requirement was subject to several amendments; the latest (Intermediate Circular 707) considered foreign currency deposits as at 31 July 2024 as the basis for the computation instead of 31 July 2020, thus lowering liquidity required levels as customers' deposits decreased over the period. Besides, it extended the date to comply to be 31 December 2025 instead of 28 February 2021. Also it added to the numerator Lebanese sovereign Eurobonds as well as US Treasury and Investment grade foreign debt instruments on the condition they are held at fair value. Intermediate Circular 716 issued on 21 November 2024 expanded again the scope to include sovereign debts instruments issued by G10 countries and debt instruments rated "BBB" and above held at fair value.
 - Requesting from banks, after taking consideration of their fair assessment of their financial position, to present a plan during the first quarter of 2021, to address recapitalisation needs, if any, to the Central Bank of Lebanon's Central Council, for its approval. Banks shall take the necessary legal and regulatory measures in order to facilitate the consensual possibility for their depositors to transfer their deposits to shares or bonds. Bank shares will be exclusively listed in Beirut. Banks can pay interest on the bonds that exceed current levels.
- Basic Circular 157 issued on 10 May 2021 and setting the framework of exceptional measures for foreign-currency operations. Hence, banks operating in Lebanon must process customers' FX operations (buy and sell) related to their personal or commercial needs on the electronic platform "Sayrafa". Transactions with customers encompass purchase and sale of foreign currencies banknotes against LBP, as well as operations from/to foreign currencies external accounts against LBP. Banks are required to properly document each transaction and should not collect commission margins between buy and sell operations exceeding 1%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

1. CORPORATE INFORMATION (continued)

1.2. Regulatory Environment (continued)

- Basic Circular 158 issued on 8 June 2021 and defining the mechanism for the gradual settlement of foreign currency deposits up to an amount equivalent to USD 50,000. To benefit from the provisions of the said circular, certain eligibility criteria must be met.

Eligible funds will be transferred to a subaccount over which banking secrecy will be lifted vis-à-vis BdL and BCC before being gradually withdrawn and remitted to the customer on a monthly basis. Customers' monthly entitlements are (i) an amount of USD 400 in cash or equivalent (transfer abroad, credited to a payment card with international usage, etc.) (amended later on to US\$ 300 for all BDL 158-based contracts signed with the customers after 1 July 2023 following the issuance of BDL intermediate circular 674 on 5 July 2023) and (ii) an amount in LBP equivalent to USD 400 and converted at a rate USD/LBP 12,000 (before amendment USD/LBP at 15,000 on 20 January 2023), noting that 50% of the amount will be paid in cash and 50% will be credited to a payment card. The portion in LBP was later on removed with the issuance of BDL Intermediate Circular 674. On 17 November 2023, BdL issued Intermediate Circular 682 adding an eligibility criteria to benefit from Basic Circular 158. On 8 June 2024, Intermediate Circular 697 expanded the scope of beneficiaries to include minors. Besides, beneficiaries of BDL Basic Circular 158 can now benefit from BDL Basic Circular 166 as long they don't benefit from both circulars concurrently in the same "yearly cycle" (1st of July in any given year -30th of June in the following year). The yearly cycle requirement was later on removed by Intermediate Circular 717 issued on 26 November 2024.

During 2024 several intermediary circulars were issued granting additional payments to beneficiaries of Basic Circular 158 (2 in October 2024, 1 for each month from November 2024 to January 2025) All additional payments were financed from the Bank's compulsory reserves with BDL in foreign currency.

Intermediate circular 729 issued on 20 February 2025 increased the monthly payment to be \$500 for all beneficiaries of Basic Circular 158. The additional amounts were financed from the Bank's compulsory reserves with BDL in foreign currency.

Customers who have transferred their funds after the crisis to another local Bank can benefit from the provisions of said circular if (i) transferred funds are returned to the originating bank, and if (ii) the customer hadn't benefited from the circular neither from the originating Bank, nor the destination Bank. The financing of the aforementioned process will be secured equally through (i) BdL reduction of compulsory reserves requirements from 15% to 14% as per BdL Intermediate Circular 586 and (ii) the Bank's offshore liquidity. To that end, the Bank can use its foreign liquidity subject computed as per BdL Basic Circular 154 requirements on the condition that it reconstitutes it by 31 December 2022, extended to 31 December 2023 by Intermediate Circular 626 issued on 21 June 2022.

- Basic Circular 159 issued on 17 August 2021 preventing banks from processing foreign currency funds received from customers whether in the form of cash or through offshore transfers at a value other than its face value, with the exception of transactions pertaining to the settlement of loans (which was subsequently removed by Intermediate Circular 671 issued on 20 June 2023). It also prevented banks from purchasing foreign currencies at parallel rate with the exception of the purchase foreign currencies duly recorded on the electronic platform and resulting from offshore incoming transfers with the purpose of (i) enhancing liquidity, (ii) engaging in medium or long term investments, (iii) settling international commitments. Finally, the circular prevented banks from purchasing bankers' checks and other bank accounts in foreign currencies, whether directly or indirectly.
- Intermediate Circular 600 (amending Basic Circular 73) issued on 3 November 2021 requires banks to record existing and future provisions for expected credit losses in the same currency as the related assets and off-balance sheet exposures. Banks are also required to set in place necessary measures to manage their FX position resulting from provisions recorded in foreign currencies.
- Intermediate Circular 616 issued on 3 March 2022 prohibiting banks from distributing dividends to ordinary shareholders from results of financial years 2019, 2020 and 2021 (years 2022, 2023 and 2024 were added through Intermediate Circular 659, 676 and 726 respectively).
- Basic Circular 162 issued on 28 March 2022 requesting from banks to secure a level of liquidity sufficient to allow public sector employees to withdraw their monthly salaries and other compensations without setting any type of limits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

1. CORPORATE INFORMATION (continued)

1.2. Regulatory Environment (continued)

- Basic Circular 163 issued on 27 May 2022 defining the framework for the monitoring of the accounts of public officials, the performance of due diligence on their operations and the reporting to the Special Investigation Committee on the basis of founded suspicion.
- Intermediate Circular 637 issued on 27 July 2022 (amending Basic Circulars 65 and 78) requires banks selling real estate properties or participations acquired in accordance with the provisions of Article 153 or 154 of the CMC, only against fresh USD or its equivalent in LBP based on Sayrafa rate.
- Basic Circular 164 issued on 12 October 2022 and requesting banks to report to the Banking Control Commission on the cost of their monthly operating expenses that should be paid with fresh money, the resources for settling these expenses and how to ensure those resources.
- Intermediate Circular 648 issued on 1 November 2022 (amending Basic Circulars 14 and 67) reduced by 50% the interest rates served on foreign currencies placements with BdL and on Certificates of Deposits issued by BdL while continuing paying 50% of coupon payment in the instrument's currency and 50% in LBP at official rate (LBP 1,507.5 to the US Dollar until 31 January 2023 and LBP 15,000 to the US Dollar afterwards). This circular was later amended on 2 February 2024 by Intermediate Circular 686 increasing the interest rate reduction on foreign currencies placements with BdL and on Certificates of Deposits issued by BdL from 50% to 75% while limiting the coupon payment to be in FCY only. The Intermediate Circular 701 issued on 27 June 2024 specified that interests paid in USD by BDL on the banks' term deposits in US dollars and on Certificates of deposits in US Dollars owned by banks will be placed in the non-"cash money" current account opened at BDL for the concerned bank. Those provisions are applicable until 31 December 2024. Intermediate Circular 719 issued on 17 December 2024 extended the deadline to 30 June 2025.
- Intermediate Circular 649 issued on 24 November 2022 (amending Basic Circulars 44 and 143) introduced a forbearance treatment in capital ratios computation by allowing the exclusion from Common Equity Tier 1 of a portion of losses incurred from FX purchases from BdL against LBP banknotes (66% and 33% respectively in 2022 and 2023)
- Intermediate Circular 656 issued on 20 January 2023 stating that Banks and financial institutions operating in Lebanon must not accept the repayment of loans granted in foreign currencies to non-residents, of which off-shore companies, except through incoming cross-border transfers of fresh funds.
- Basic Circular 165 issued on 19 April 2023 and requesting banks to open new accounts at BDL in LBP and in US\$ specifically and exclusively for the "Cash Money" (i.e. money transferred from abroad and/or received as banknotes in foreign currencies after 17 November 2019 in addition to the money deposited or which will be deposited as banknotes in new accounts in LBP and which respect the conditions set in BDL basic circular 150 for "fresh money"). These new accounts will be used for the settlement, compensation & transfer operations through BDL National Payment System (BDL-NPS).
- Intermediate Circular 683 issued on 17 November 2023 amending the provisions BDL Basic Circular 32 which defines the framework of Foreign Exchange ("FX") operations in Banks operating in Lebanon and various FX positions computation. This circular came on the wake of several amendments applied in 2023 (Intermediate Circular 659, Intermediate Circular 675 and Intermediate Circular 677) aiming at converging to the IAS 21: The Effects of Changes in Foreign Exchange Rates differentiating monetary from non-monetary items and the corresponding impact on the Bank's FX position. Based on the new definition, the Bank is authorized to hold a Special Long FX position to hedge its core equity against FX risk. This special long FX position is to be deducted from the FX open position to reach the FX Trading Position. Besides, the circular reintroduced the 1% maximum limit (if the Bank holds concurrently a long open position and a net long trading position) on net trading position and 40% limit on Global position, while cancelling all previously authorized structural/fixed positions and any forbearance limit. The Intermediate Circular 730 issued on 20 February 2025 circular stated that excesses over set limits whether long or short should be liquidated by 31 December 2025.
- Intermediate Circular 689 issued on 2 February 2024 permitting the full inclusion in Common Equity Tier 1 of balance of Foreign Currency Translation Adjustments as well as 75% of net changes from FVTOCI instruments. Besides, it allowed a full draw down of the 2.5% capital conservation buffer during years 2023 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

1. CORPORATE INFORMATION (continued)

1.2. Regulatory Environment (continued)

- Intermediate Circular 690 issued on 2 February 2024 permitting the full inclusion in the regulatory equity of positive balance (gains) of Foreign Currency Translation Reserve noting that this equity is used for the computation of various regulatory ratios other than capital adequacy ratios (FX position, limit of placement with FI, Code of money credit ("CMC") 153 limit.
- Basic Circular 166 issued on 2 February 2024 defining a new mechanism for the repayment of restricted funds in FCY and de-facto replacing Basic Circular 151, which authorized limited withdrawals in LBP from foreign currencies accounts at pre-defined exchange rates and has not been renewed. Beneficiaries from said circular – who cannot be old or current beneficiaries from Basic Circular 158 - would be able to withdraw on a monthly basis USD150 in cash up to a cumulative amount of USD 4,350 until June 2026. 50% of said amount will be financed from the Bank's own liquidity and 50% from the Bank's restricted funds with BDL. Certain exclusions parameters apply to potential customers wishing to benefit from the circular (Customers who did not return offshore transfers as per basic circular 154, traders of checks, customers who converted LBP deposits into foreign currencies for at least USD 300,000 post-crisis with the exception of those who converted their end of service indemnity, customers who settled their FCY loans for an amount equivalent to USD 300,000 from LBP proceeds, beneficiaries of sayrafa transactions above or equal to USD 75,000, corporate clients, etc.). On 27 June 2024, Intermediate Circular 698 expanded the scope of beneficiaries to include minors. Besides, beneficiaries of BDL Basic Circular 166 can now benefit from BDL Basic Circular 158 as long they don't benefit from both circulars concurrently in the same "yearly cycle" (1st of July in any given year -30th of June in the following year). The yearly cycle requirement was later on removed by Intermediate Circular 718 issued on 26 November 2024.

During 2024 several intermediary circulars were issued granting additional payments to beneficiaries of Basic Circular 166 (2 in October 2024, 1 for each month from November 2024 to January 2025) All additional payments were financed from the Bank's compulsory reserves with BDL in foreign currency.

Intermediate circular 728 issued on 20 February 2025 increased the monthly payment to be \$250 for all beneficiaries of Basic Circular 166. The additional amounts were financed from the Bank's compulsory reserves with BDL in foreign currency.

- Basic Circular 167 issued on 2 February 2024 defining the published rate on BDL's electronic platform as the FX translation rate for the Bank's FCY monetary items as well for the non-monetary assets measured at fair value and assets measured as per equity method in line with IAS 21. This measure applies starting January 2024 reported financials.
- Intermediate Circular 708 issued on 20 September 2024 (amending Basic Circulars 43 and 44) changing the treatment of revaluation of foreclosed assets for regulatory capital calculation, to become allowed for inclusion as Common Equity Tier 1 for 75% of its value (previously 33% of this reserve was allowed for inclusion as Tier 2), subject to approval of the Central Bank of Lebanon on the revaluation gain and on the completion of the revaluation before 31 December 2025.
- Intermediate Circular 712 issued on 10 October 2024 (amending Basic Circular 147) requesting from Banks to refund customers' accounts with the proceeds of a Banker's check issued by the Bank from the concerned customer's account on the condition it has not been endorsed and there are no related litigations. Besides, if the customer is eligible, he can benefit from provisions of Basic Circulars 158 and 166.
- Intermediate Circular 723 issued on 13 January 2025 (amending Basic Circular 81) restricting the granting of loans in US Dollars to "cash money" only as per Basic Circular 165 definition.
- Intermediate Circular 733 issued on 27 March 2025 (amending Basic Circular 159) permitting banks to purchase foreign currencies provided that the margins and commissions do not exceed 1% of the purchase price to only sell local foreign currency only to Central Bank of Lebanon. Banks are also restricted to sell or purchase financial instrument in Local foreign currencies without prior approval from Central Bank of Lebanon (amended with Intermediate Circular 734 issued on 14 April 2025).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

1. CORPORATE INFORMATION (continued)

1.3. Particular Situation of the Group

Exchange Rates

Several exchange rates had emerged since the last quarter of 2019 that varied significantly among each other and from the official published exchange rate. The official exchange rate was changed from LBP 1,507.5 to LBP 15,000 to the US Dollar in February 2023 and from LBP 15,000 to LBP 89,500 to the US Dollar in January 2024. Sayrafa Rates (refer to below) and parallel market rates remained highly volatile and divergent from the official published exchange rates since the last quarter of 2019 up to the last change in the official published exchange rate in January 2024, as a result of which they became convergent.

Assets and liabilities in foreign currency, transactions in foreign currency and foreign currency translation reserves, regardless of whether they are onshore or offshore, were reflected in these consolidated financial statements at the official published exchange rates as follows:

	2024		2023	
	Year-end Rate LBP	Average Rate LBP	Year-end Rate LBP	Average Rate LBP
US Dollar	89,500.00	89,500.00	15,000.00	13,875.63
Euro	93,465.00	96,752.54	16,695.00	15,049.23
Swiss Franc	99,224.00	101,528.59	17,942.58	15,533.78
Turkish Lira	2,534.10	2,709.75	508.84	579.36
Saudi Riyal	23,835.00	23,852.32	3,999.60	3,698.81
Qatari Riyal	24,551.00	24,548.04	4,114.10	3,805.04

The exchange rates above consist of the official exchange rates published by the Central Bank of Lebanon on a monthly basis.

Sayrafa Platform

On 10 May 2021, the Central Bank of Lebanon issued Basic Circular 157 setting the framework of exceptional measures for foreign-currency operations. Hence, banks operating in Lebanon must process customers' FX operations (buy and sell) related to their personal or commercial needs on the electronic platform "Sayrafa". Transactions with customers encompass purchase and sale of foreign currencies banknotes against LBP, as well as operations from/to foreign currencies external accounts against LBP. Sayrafa corresponds to a floating system and the Sayrafa average rate and volume of foreign currency operations are published on the website of the Central Bank of Lebanon. Foreign currency operations were executed on the Sayrafa platform at the following exchange rates:

	Rate as at 31 December 2024	Average Rate for the year ended 31 December 2024	Rate as at 31 December 2023	Average Rate for the year ended 31 December 2023
	LBP	LBP	LBP	LBP
US Dollar	89,500	89,500	89,500	78,116

The platform rate is not available for the purchase and sale of and "local" foreign currency bank accounts which are subject to de-facto capital controls.

31 December 2024

The Group uses the official published exchange rate to translate all balances and transactions in foreign currencies, regardless of their source or nature. With respect to onshore monetary assets and liabilities, subject to de-facto capital controls, this does not always represent a reasonable estimate of expected cash flows in Lebanese Pounds that would have to be generated/used from the realisation of such assets or the payment of such liabilities at the date of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

1. CORPORATE INFORMATION (continued)

1.3. Particular Situation of the Group (continued)

31 December 2023

Because of the gap between the several exchange rates available, the number of variables and assumptions affecting the possible future resolution of the uncertainties is very high, increasing the subjectivity and complexity of the judgment, and Management was unable to determine the rate at which the future cash flows represented by the transaction or balance could have been settled depending on its source and nature, if those cash flows had occurred at the measurement date. Accordingly, the Group used the official published exchange rate to translate all balances and transactions in foreign currencies, regardless of their source or nature which did not represent a reasonable estimate of expected cash flows in Lebanese Pounds that would have to be generated/used from the realisation of such assets or the payment of such liabilities

Excepted Credit Losses

As at 31 December 2024, loss allowances on assets held at the Central Bank of Lebanon are recorded in these consolidated financial statements at the loss rates mentioned in the Central Bank of Lebanon's Basic Circular 44. Due to the high levels of uncertainty and to the lack of observable indicators and of visibility on the government's plans with respect to banks' exposure to the Central Bank of Lebanon and Lebanese sovereign, we are unable to estimate in a reasonable manner expected credit losses on these exposures. Accordingly, these consolidated financial statements do not include adjustments of the carrying amount of these assets to their recoverable amounts based on International Financial Reporting Standards and an expected credit loss model.

The impact is expected to be pervasive and will be reflected in the consolidated financial statements once the debt restructuring has been defined conclusively by the government and all uncertainties and constraints are resolved, and once the mechanism for allocating losses by asset class and currency is clear and conclusive. Maximum exposures to the credit risk of the Central Bank of Lebanon and the Lebanese government and the recognised loss allowances, as well as their staging, are detailed in Note 52 to these consolidated financial statements.

As a result of the negative economic conditions and the deepening of the recession, the credit quality of the private loans portfolio concentrated in Lebanon has significantly deteriorated since the last quarter of 2019. The deterioration was further aggravated by the effects of the significant high inflation in Lebanon. Since the start of the Lebanese crisis, the Bank has been implementing a de-risking strategy by considerably reducing its assets size, specifically its portfolio of private loans concentrated in Lebanon. It has also set up a centralised and specialised remedial function to proactively review and manage the quality of its various portfolios. The private loans portfolio of Lebanese entities has significantly contracted since the onset of the Lebanese crisis as it decreased from USD 3.9 billion at 31 December 2019 to USD 0.3 billion as at 31 December 2024. With all other variables held constant, Management believes that the significant devaluation of the Lebanese Pound (and de-facto local US Dollar) and the triple digit inflation, reduced the risks of default compared to 31 December 2019. However, given the high level of uncertainties facing the Lebanese economy and the expected type of instruments underlying future cash flows on settlement of these private loans, loss allowances have been estimated based on the best available information at the reporting date about past events, current conditions and forecasts of economic conditions combined with expert judgment. Maximum exposures to the credit risk of the Group's portfolio of private loans and the recognised loss allowances, as well as their staging, are detailed in Note 52 to these consolidated financial statements.

The consolidated financial position of the Group, as reported in these consolidated financial statements, does not reflect the adjustments that would be required by IFRS as a result of the future government reform program, the deep recession, the currency crisis and the hyperinflation. Due to the high levels of uncertainties, the lack of observable indicators, the uncertainty on the exchange rate, and the lack of visibility on the government's plans with respect to: (a) the high exposures of banks with the Central Bank of Lebanon, (b) the Lebanese sovereign securities, and (c) the currency exchange mechanisms and currency exchange rates that will be applied, Management is unable to estimate in a reasonable manner the impact of these matters on its consolidated financial position. Management anticipates that the above matters will have a materially adverse impact on the Group's consolidated financial position and its consolidated equity.

1. CORPORATE INFORMATION (continued)

1.3. Particular Situation of the Group (continued)

Litigations and Claims

Until the above uncertainties are resolved, the Group is continuing its operations as performed since 17 October 2019 and in accordance with the laws and regulations. De-facto capital controls and inability to transfer foreign currencies to correspondent banks outside Lebanon are exposing the Group to litigations that are dealt with on a case by case basis when they occur. The Group has been subject to increased litigations as a result of these restrictive measures adopted by Lebanese banks in relation to withdrawal of funds and transfers abroad, as well as in relation to the repayment by customers of local foreign currency loans in Lebanese Pounds. Management is carefully considering the impact of these litigations and claims. There are still uncertainties related to the consequences of these restrictive measures based on the current available information and the prevailing laws and local banking practices. Management believes that a legislative solution is urgently needed, through the enactment of laws that are appropriate for the adjudication of the unconventional legal disputes arising under the current exceptional circumstances. Due to recent developments and the increasing trend in judgments ruled in favour of the plaintiffs and customers from the years 2021 till 2024. Management considers that they may affect negatively the liquidity of the Group (refer to Note 56). The amount cannot be determined presently.

Taxes, Social Security Contributions and Related Provisions

Due to the availability of several exchange rates in the Lebanese market, the determination of taxes, social security contributions and related provisions in relation to transactions or activities in foreign currencies are highly sensitive to the exchange rates applied. As a result of the unprecedented events and circumstances, there is high level of judgment involved in deciding on the exchange rates used and any change in these exchange rates, would result in a different determination of taxes, social security contributions and related provisions.

Law 330 dated 4 December 2024

Law 330 enacted on 4 December 2024 (amending Article 45 of Income Tax Law 144 and its amendments), authorized taxpayers to conduct a non-taxable exceptional revaluation of fixed assets and inventory, and an exceptional adjustment on the negative or positive foreign exchange differences resulting from receivable and payable balances and from financial accounts in foreign currency. On 12 March 2025, the Ministry of Finance issued the decisions 338, 339 and 340 related to the application of Law 330. Due to the late issuance of the decisions, the Group was unable to quantify or record the impact of the law on the taxes in the Group's consolidated financial statements for the year ended 31 December 2024. The Group is currently working to identify all impacts the law will have on the consolidated financial statements.

Measures by the Bank

Meanwhile, the Bank is exerting extended efforts to (a) strengthen its capitalisation, (b) enhance the quality of its private loans portfolio, deleveraging it as appropriate and downsizing its balance sheet, (c) build up its offshore liquidity and reduce its commitments and contingencies to correspondent banks and financial institutions outside Lebanon, and (d) manage operating profitability.

On 1 October 2020, the Bank received a letter from the Central Bank of Lebanon, referring to Basic Circular 154 and Intermediate Circular 567, and requesting the Bank to submit a roadmap that sets out the following:

- The Bank's overall strategy for the years 2020-2024.
- The Bank's assessment of its portfolio of private loans and expected credit losses as at 31 December 2020, as well as total realised and expected losses for the year 2020.
- The amount of expected credit losses that have not been translated yet to foreign currencies.
- The capital needs to comply with the minimum required capital and the measures and sources that will be relied upon to cover the shortfall, when existing.
- The Bank's strategy with respect to its investments in foreign banks and branches.
- The mechanism to rectify any non-compliance with regulatory requirements.
- The measures that will be taken to rectify non-compliances with articles 154 and 153 of the Code of Money and Credit, if any.
- The measures that will be taken to attract foreign liquidity or "fresh funds" and to cover liquidity onshore and offshore commitments.

1. CORPORATE INFORMATION (continued)

1.3. Particular Situation of the Group (continued)

The roadmap was submitted to the Central Bank of Lebanon on 18 February 2021, including a number of assumptions that remain highly susceptible to material change depending on the evolution of the financial, monetary and operating conditions in Lebanon. Hence, a definitive reasonable and credible roadmap can only be achieved once the many material uncertainties still governing the outlook in Lebanon are resolved and the amount of recapitalisation needs is accurately determinable.

Once the above uncertainties are resolved, a pro-forma balance sheet of the Bank will be prepared which will include the effects of the hyperinflation, the effects of the restructuring of the government debt securities, the effects of the restructuring of the Central Bank of Lebanon balance-sheet and the effects on its private loan portfolio.

The Bank's key strategic objectives during this challenging period focused on the consolidation and de-risking of the domestic franchise and operations, and the ring-fencing of foreign entities and branches from Lebanon's spill-over effects.

In practice, Management has adopted a new strategic direction focusing on six main pillars to face the current financial and economic environment. These pillars are:

1. *Asset quality*: reduce the risk profile of the Group through the management of the Group's portfolio of assets by (1) sustaining the loan deleveraging policy, (2) maintaining higher loss allowances coverage, (3) closely monitoring the lending portfolios while taking early remedial actions on problematic files, and (4) smoothly reducing sovereign debt exposure, especially in foreign currency.
2. *Quality of earnings*: efforts to attract low cost and stable funding while maintaining relationships with good profile obligors with consistent and recurring returns and ancillary revenues. End result is for foreign entities to continue to provide the Group with diversified income generation capacity. Continuous rationalisation of operating expenses targeting a lean organisational structure, improving operational efficiency and reducing cost structure to adapt to the changing operating environment and the level of revenue streams of the Group.
3. *Liquidity and ALM*: create a liquidity buffer in anticipation of turbulences.
4. *Solvency*: maintain sufficient capital buffers over the minimum regulatory capital adequacy levels (calculated in accordance with the rules established by the Central Bank of Lebanon).
5. *Operational and other non-financial risks*: management of operational, compliance, legal, conduct, cyber, strategic and third-party risks while constantly updating business continuity plans to adapt to disruptions in business activities due to new occurring risks and changes.
6. *Governance*: strict adherence to the internal and regulatory Governance principles, with a particular focus on the control and risk-based oversight role of the Board of Directors to adapt to the particular requirements of the current challenging environment while mobilising the Bank's executive, control, and oversight committees for the continued effectiveness of the control framework. Maintaining abidance by CSR principles to ensure sustainability of the Group, taking into account the economic, social and environmental parameters of our operations in Lebanon and abroad.

The Group is taking measures to help strengthen its financial position, including international liquidity and solvency metrics. However, as at 31 December 2024, consolidated capital adequacy ratios stood at 5.6%, 5.6% and 7.4% for CET1, Tier 1 and Total CAR respectively (minimum regulatory levels of 4.5%, 6.0% and 8.0%, since banks are allowed to draw down on the 2.5% capital conservation buffer during 2023 and 2024).

In the continued absence of the long awaited banking restructuring plan, the Bank is unable to predict the impact of the crisis and the then adopted restructuring plan on the financial statements of the Bank in Lebanon, nor it is able to predict the measures that might be taken by the regulator in that regard. The Bank is also uncertain whether the measures implemented since the outset of the crisis and mentioned above would be sufficient to cover all its commitments as they become due and restore the activities of the Bank to normal pre-crisis levels. Such sufficiency and a reasonable and credible plan can only be achieved once the uncertainties from the prevailing crisis, and, as well as the implementation of a clear national fiscal and economic recovery plan are resolved. It is only at that particular point in time that a pro-forma balance sheet of the Bank will be prepared and will include the effects of the hyperinflation, the effects of the restructuring of the government debt securities, the effects of the restructuring of the Central Bank of Lebanon balance-sheet and to a lesser extent the effects on its private loan portfolio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

1. CORPORATE INFORMATION (continued)

1.3. Particular Situation of the Group (continued)

The Lebanese crisis which was set off during the last quarter of 2019 has imposed severe limitations on the ability to conduct Commercial Banking activities or transactions under the normal course of business in Lebanon. Market embedded factors, such as de-facto capital controls, inability to secure foreign liquidity and the existence of several values for the US Dollar, resulted into several practices and transactions that would not qualify as normal course of business in a non-crisis environment, and for which there are no directly observable prices or a governing legal/regulatory framework. Such practices and transactions expose the Bank to increased litigation and regulatory risks, and negatively impact the financial position of the Bank, its regulatory ratios and covenants due the adverse effects of the uncertainties. There is a significant uncertainty in relation to the extent and period over which this situation will continue and the impact that conducting operations under a crisis environment in the foreseeable future will further have on the Group's financial position, future cash flows, results of operations, regulatory ratios and covenants. The Group's realisation value of assets and sufficiency and settlement value of liabilities are premised on future events, the outcome of which are inherently uncertain.

2. MATERIAL ACCOUNTING POLICIES

2.1. Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis except for: a) the revaluation of land and buildings pursuant to the adoption of the revaluation model of IAS 16 for this asset class, and b) the measurement at fair value of derivative financial instruments, financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income.

The consolidated financial statements are presented in Lebanese Pounds (LBP) which is the Bank's functional currency, and all values are rounded to the nearest million, except when otherwise indicated.

As of 31 December 2024 and 2023, all conditions have been met for the Group's financial statements to incorporate the inflation adjustment provided under IAS 29 "Financial Reporting in Hyperinflationary Economies". IFRS requires that financial statements of any entity whose functional currency is the currency of a hyperinflationary economy be restated into the current purchasing power at the end of the reporting period. Paragraph 4 of IAS 29 states that it is preferable for all entities that report in the currency of a hyperinflationary economy to apply the standard at the same date. In order to achieve uniformity as to the identification of an economic environment of this kind, IAS 29 provides certain guidelines: a cumulative three-year inflation rate exceeding 100% is a strong indicator of hyperinflation, but also qualitative factors, such as analysing the behaviour of population, prices, interest rates and wages should also be considered.

The Lebanese Central Administration of Statistics reported 3-year and 12-month cumulative rates of inflation of 666% and 18%, respectively, as of December 2024 (2023: 2,005% and 192%). Qualitative indicators, following the deteriorating economic condition and currency controls, also support the conclusion that Lebanon is a hyperinflationary economy for accounting purposes for periods ending on or after 31 December 2020. As of December 2024 and based on the inflation data published by Turkey Statistical Institute on 3 January 2025, the 3-year and 12-month cumulative increase in Consumer Price Index has been 290.79% and 44.38% (31 December 2023: 308.66% and 64.8%). Accordingly, the Turkish economy was defined as hyperinflationary economy and consequently IAS 29 should be implemented on the financial statements of the Group's subsidiary in Turkey starting for periods ending on or after 30 June 2022.

Therefore, entities whose functional currency is the Lebanese Pound or Turkish Lira should restate their financial statements to reflect the effects of inflation in conformity with IAS 29. Such restatements shall be made as if the Lebanese economy has always been hyperinflationary, using a general price index that reflects the changes in the currency's purchasing power.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

2. MATERIAL ACCOUNTING POLICIES (continued)

2.1. Basis of Preparation (continued)

The effects of the application of IAS 29 are summarised below:

- (a) Financial statements must be adjusted to consider the changes in the currency's general purchasing power, so that they are expressed in the current unit of measure at the end of the reporting period.
- (b) In summary, the restatement method under IAS 29 is as follows:
 - i. Monetary items are not restated in as much as they are already expressed in terms of the measuring unit current at the closing date of the reporting period. In an inflationary period, keeping monetary assets generates loss of purchasing power and keeping monetary liabilities generates an increase in purchasing power. The net monetary gain or loss shall be included as income for the period for which it is reported.
 - ii. Non-monetary items carried at the current value of the end date of the reporting period shall not be restated to be presented in the balance sheet, but the restatement process must be completed in order to determine into the current purchasing power at the end of the reporting period the income derived from such non-monetary items.
 - iii. Non-monetary items carried at historical cost or at the current value of a date prior to the end of the reporting period are restated using coefficients that reflect the variation recorded in the general level of prices from the date of acquisition or revaluation to the closing date of the reporting period, then comparing the restated amounts of such assets with the relevant recoverable values. Depreciation charges of property, plant and equipment and amortisation charges of intangible assets recognised in profit or loss for the period, as well as any other consumption of non-monetary assets will be determined based on the new restated amounts.
 - iv. Income and expenses are restated from the date when they were recorded, except for those profit or loss items that reflect or include in their determination the consumption of assets carried at the purchasing power of the currency as of a date prior to the recording of the consumption, which are restated based on the date when the asset to which the item is related originated; and except those profit or loss items originated from comparing two measurements expressed in the purchasing power of currency as of different dates, for which it is necessary to identify the compared amounts, restate them separately and compare them again, but with the restated amounts.
 - v. At the beginning of the first year of application of the restatement method of financial statements in terms of the current measuring unit, the prior year comparatives are restated in terms of the measuring unit current at the end of the current reporting period. The equity components, except for reserved earnings and undistributed retained earnings, shall also be restated, and the amount of undistributed retained earnings shall be determined by the difference between net assets restated at the date of transition and the other components of opening equity expressed as indicated above, once all remaining equity components are restated.

As of the date of the accompanying consolidated financial statements, Management is temporarily unable to apply the above-mentioned standard, nor is it able to quantify the effect that the application of IAS 29 would have on the presented consolidated financial statements due to the following considerations: the significant divergence in exchange rates, the lack of consensus on the general price index and the lack of views of relevant regulators, including tax authorities. However, management estimates such effects to be significant. This situation must be taken into account when interpreting the information reported by the Group in the accompanying consolidated financial statements including its consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement.

The Group is currently assessing the date at which it will apply IAS 29. The application of IAS 29 is very complex and requires the Group to develop new accounting software and processes, internal controls and governance framework. Based on the Group's preliminary assessment, the absence of an official legal payment and settlement mechanism that would reflect in a reasonable manner, the expected cash flows for assets and liabilities in foreign currencies, and the absence of an accurate reflection of price changes impede the useful information that would have been otherwise produced from the application of IAS 29. Accordingly, the Group has postponed the application of IAS 29 and incurring costs for developing accounting processes and a governance framework until the Group is comfortable that such application would provide the users with more relevant information.

Statement of Compliance

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

2. MATERIAL ACCOUNTING POLICIES

2.1. Basis of Preparation (continued)

Presentation of Financial Statements

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

Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position. They are offset and the net amount is reported only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis – or to realise the assets and settle the liability simultaneously – in all of the following circumstances: a) the normal course of business, b) the event of default, and c) the event of insolvency or bankruptcy of the Group and/or its counterparties. Only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement. This is not generally the case with master netting agreements; therefore the related assets and liabilities are presented gross in the consolidated statement of financial position. Income and expense will not be offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group. The effect of netting arrangements is disclosed in Note 30.

2.2. Basis of Consolidation

The consolidated financial statements comprise the financial statements of Bank Audi sal and its subsidiaries as at 31 December 2024. Details of the principal subsidiaries are given in Note 45.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

Generally, there is a presumption that a majority of voting rights results in control. However, under individual circumstances, the Group may still exercise control with less than 50% shareholding or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Group considers all relevant facts and circumstances, including:

- The purpose and design of the investee.
- The relevant activities and how decisions about those activities are made, and whether the Group can direct those activities.
- Contractual arrangements such as call rights, put rights and liquidation rights.
- Whether the Group is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

2. MATERIAL ACCOUNTING POLICIES (continued)

2.2. Basis of Consolidation (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

Where the Group loses control of a subsidiary but retains an interest in it, then such interest is measured at fair value at the date that control is lost with the change in carrying amount recognised in profit or loss. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. As such, amounts previously recognised in other comprehensive income are transferred to consolidated income statement.

Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned by the Group. The Group has elected to measure the non-controlling interests in acquirees at the proportionate share of each acquiree's identifiable net assets. Interests in the equity of subsidiaries not attributable to the Group are reported in consolidated equity as non-controlling interests.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group treats transactions with non-controlling interests as transactions with equity holders of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.3. New Standards, Interpretations and Amendments Adopted by the Group

The Group applied for the first time, certain amendments to the standards which are effective for annual periods beginning on or after 1 January 2024. The nature and impact of each amendment is described below:

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments had no impact on the Group's consolidated financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had no impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

2. MATERIAL ACCOUNTING POLICIES (continued)

2.3. New Standards, Interpretations and Amendments Adopted by the Group (continued)

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The transition rules clarify that an entity is not required to provide disclosures in any interim periods in the year of initial application of the amendments. Thus, the amendments had no impact on the Group's consolidated financial statements.

2.4. Standards Issued but not yet Effective

Lack of exchangeability – Amendments to IAS 21

In August 2023, the Board issued Lack of Exchangeability (Amendments to IAS 21). The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The Group is currently assessing the impact of the amendments on the Group's financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Group is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5. Summary of Material Accounting Policies

Business Combinations and Goodwill

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

When the Group makes an acquisition meeting the definition of a business under IFRS 3, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated income statement. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured until it is finally settled within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the consolidated statement of comprehensive income in accordance with IFRS 9.

Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment in accordance with IFRS 8 "Operating Segments".

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

Investments in Associates

An associate is an entity over which the Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5. Summary of Material Accounting Policies (continued)

Investments in Associates (continued)

The Group's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor separately tested for impairment.

The income statement reflects the Group's share of the results of operations of the associates. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss in the consolidated income statement.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is transferred to consolidated income statement where appropriate. Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Foreign Currencies

The consolidated financial statements are presented in Lebanese Pound (LBP) which is also the Bank's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Bank uses the step-by-step method of consolidation.

(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 (as disclosed in Note 1).

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange (as disclosed in Note 1) at the date of the statement of financial position. All differences are taken to "net trading gain" in the consolidated income statement, except for monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5. Summary of Material Accounting Policies (continued)

Foreign Currencies (continued)

(ii) Group Companies

On consolidation, the assets and liabilities of subsidiaries and overseas branches are translated into the Bank's presentation currency at the rate of exchange as at the reporting date (as disclosed in Note 1), and their income statements are translated at the monthly average exchange rates for the year (as disclosed in Note 1). Exchange differences arising on translation are recognised in OCI. On disposal of a foreign entity, the deferred cumulative amount recognised in OCI relating to that particular foreign operation is reclassified to the consolidated income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at the exchange rate on the reporting date (as disclosed in Note 1).

Financial Instruments – Initial Recognition

(i) Date of Recognition

All financial assets and liabilities are initially recognised on the settlement date. This includes “regular way trades”: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(ii) Initial Measurement of Financial Instruments

Financial instruments are initially measured at their fair value, plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

In the case of a financial instrument measured at fair value, with the change in fair value being recognised in the income statement, the transaction costs are recognised as revenue or expense when the instrument is initially recognised. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

(iii) Day 1 Profit or Loss

When the transaction price differs from the fair value at origination and the fair value is based on a valuation technique using only observable inputs in market transactions, the Group immediately recognises the difference between the transaction price and fair value (a “Day 1” profit or loss) in the consolidated income statement. In cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in the consolidated income statement when the inputs become observable, or when the instrument is derecognised.

Financial Assets – Classification and Measurement

On initial recognition, financial assets are classified as measured at: amortised cost, fair value through other comprehensive income, or fair value through profit or loss on the basis of two criteria:

- (i) The business model within which financial assets are measured; and
- (ii) Their contractual cash flow characteristics (whether the cash flows represent “solely payments of principal and interest” (SPPI)).

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold assets to collect contractual cash flows, and their contractual cash flows represent SPPI.

Financial assets are measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent SPPI.

All other financial assets are classified as measured at fair value through profit or loss.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5. Summary of Material Accounting Policies (continued)

Financial Assets – Classification and Measurement (continued)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

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

Business Model

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. 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.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's Key Management Personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How Managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking “worst case” or “stress case” scenarios into account.

The Group's business model can be to hold financial assets to collect contractual cash flows even when sales of financial assets occur. However, if more than an infrequent number of sales are made out of a portfolio, the Group needs to assess whether and how such sales are consistent with an objective of collecting contractual cash flows. If the objective of the Group's business model for managing those financial assets changes, the Group is required to reclassify financial assets.

The SPPI Test

As a second step of its classification process, the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

“Principal” for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at fair value through profit and loss.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5. Summary of Material Accounting Policies (continued)

Financial Assets – Classification and Measurement (continued)

Financial Assets at Amortised Cost

Balances with central banks, due from banks and financial institutions, loans to banks and financial institutions and reverse repurchase agreements, loans and advances to customers and related parties at amortised cost, and financial assets at amortised cost.

These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributed to the acquisition are also included in the cost of investment. After initial measurement, these are subsequently measured at amortised cost using the EIR, less expected credit losses. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in “interest and similar income” in the consolidated income statement. Losses arising from impairment are recognised in the consolidated income statement in “net recovery (impairment loss) on financial assets”. Gains and losses arising from the derecognition of financial assets measured at amortised cost are reflected under “net gain (loss) on derecognition of financial assets at amortised cost” in the consolidated income statement.

Financial Assets at Fair Value through Other Comprehensive Income

Debt Instruments at Fair Value through Other Comprehensive Income

These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributed to the acquisition are also included in the cost of investment. After initial measurement, these are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income. Interest income and foreign exchange gains and losses are recognised in the income statement in the same manner as for financial assets measured at amortised cost. The ECL calculation for debt instruments at fair value through other comprehensive income is explained below. On derecognition, cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to the income statement.

Equity Instruments at Fair Value through Other Comprehensive Income

Upon initial recognition, the Group can elect to classify irrevocably some of its investments in equity instruments at fair value through other comprehensive income when they are not held for trading. Such classification is determined on an instrument-by-instrument basis.

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 recognised in other comprehensive income and accumulated under equity. The cumulative gain or loss will not be reclassified to the consolidated income statement on disposal of the investments.

Dividends on these investments are recognised under “non-interest revenue from financial assets at fair value through other comprehensive income” in the consolidated income statement when the Group’s right to receive payment of dividend is established in accordance with IFRS 15 “Revenue from contracts with customers”, unless the dividends clearly represent a recovery of part of the cost of the investment. Equity instruments at fair value through other comprehensive income are not subject to an impairment assessment.

Financial Assets at Fair Value through Profit or Loss

Included in this category are those debt instruments that do not meet the conditions in “financial assets at amortised cost” and “financial assets at fair value through other comprehensive income” above, debt instruments designated at fair value through profit or loss upon initial recognition, and equity instruments at fair value through profit or loss. Management only designates a financial asset at fair value through profit and loss upon initial recognition when the designation eliminates, significantly reduces, the inconsistent treatment that would otherwise arise from measuring assets or recognising gains and losses on them on a different basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5. Summary of Material Accounting Policies (continued)

Financial Assets – Classification and Measurement (continued)

Financial Assets at Fair Value through Profit or Loss (continued)

Debt Instruments at Fair Value through Profit or Loss and Loans and Advances at Fair Value

These financial assets are recorded in the consolidated statement of financial position at fair value. Transaction costs directly attributable to the acquisition of the instrument are recognised as revenue or expense when the instrument is initially recognised. Changes in fair value and interest income are recorded under “net trading gain” in the consolidated income statement. Gains and losses arising from the derecognition of debt instruments and other financial assets at fair value through profit or loss are also reflected under “net trading gain” in the consolidated income statement, showing separately those related to financial assets designated at fair value upon initial recognition from those mandatorily measured at fair value.

Equity Instruments at Fair Value through Profit or Loss

Investments in equity instruments are classified at fair value through profit or loss, unless the Group designates at initial recognition an investment that is not held for trading as at fair value through other comprehensive income. These financial assets are recorded in the consolidated statement of financial position at fair value. Changes in fair value and dividend income are recorded under “net trading gain” in the consolidated income statement. Gains and losses arising from the derecognition of equity instruments at fair value through profit or loss are also reflected under “net trading gain” in the consolidated income statement.

Financial Liabilities (other than financial guarantees, letters of credit and loan commitments) – Classification and Measurement

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

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

- Financial liabilities at fair value through profit or loss (including derivatives).
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
- Contingent consideration recognised in a business combination in accordance with IFRS 3.

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

- Doing so results in more relevant information because it either eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as “an accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's Key Management Personnel; or
- A group of financial liabilities contains one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivatives is prohibited.

Financial liabilities at fair value through profit and loss are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in the income statement with the exception of movements in fair value of liabilities designated at fair value through profit and loss due to changes in the Group's own credit risk. Such changes in fair value are recognised in other comprehensive income, unless such recognition would create an accounting mismatch in the consolidated income statement. Changes in fair value attributable to changes in credit risk do not get recycled to the consolidated income statement.

Interest incurred on financial liabilities designated at fair value through profit or loss is accrued in interest expense using the EIR, taking into account any discount/premium and qualifying transaction costs being an integral part of instrument.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5. Summary of Material Accounting Policies (continued)

Financial Liabilities (other than financial guarantees, letters of credit and loan commitments) – Classification and Measurement (continued)

Debt Issued and Other Borrowed Funds

Financial instruments issued by the Group, which are not designated at fair value through profit or loss, are classified under “debt issued and other borrowed funds” where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt issued and other borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate method.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on the quoted market prices for similar debt instruments). The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the debt component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.

Due to Central Banks, Due to Banks and Financial Institutions, Due to Banks under Repurchase Agreements and Customers' and Related Parties' Deposits

After initial measurement, due to central banks, banks and financial institutions, bonds under repurchase agreements, and customers' and related parties' deposits are measured at amortised cost less amounts repaid using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate method. Customers' deposits which are linked to the performance of indices or commodities are subsequently measured at fair value through profit or loss.

Derivatives Recorded at Fair Value through Profit or Loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- a) Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (also known as the “underlying”).
- b) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- c) It is settled at a future date.

The Group enters into derivative transactions with various counterparties. These include interest rate swaps, futures, credit derivatives, cross-currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities.

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The notional amount and fair value of such derivatives are disclosed separately in the notes. Changes in the fair value of derivatives are recognised in “net trading gain” in the consolidated income statement, unless hedge accounting is applied, which is discussed in under “hedge accounting policy” below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5. Summary of Material Accounting Policies (continued)

Embedded Derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

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

- (a) The hybrid contract contains a host that is not an asset within the scope of IFRS 9.
- (b) The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host.
- (c) A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
- (d) The hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss.

Financial Guarantees, Letters of Credit and Undrawn Loan Commitments

Financial guarantees are initially recognised in the consolidated financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated income statement, and an ECL provision. The premium received is recognised in the income statement in "net fees and commission income" on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments are not recorded in the statement of financial position. The nominal values of these instruments, together with the corresponding ECLs, are disclosed in these notes.

Reclassification of Financial Assets

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

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

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

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5. Summary of Material Accounting Policies (continued)

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

(i) Derecognition Due to Substantial Modification of Terms and Conditions

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset.
- Other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below).

If the modification of a financial asset measured at amortised cost or fair value through other comprehensive income does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

(ii) Derecognition Other than for Substantial Modification

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition. The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial asset; or
- The Group retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement.

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the “original asset”), but assumes a contractual obligation to pay those cash flows to one or more entities (the “eventual recipients”), when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5. Summary of Material Accounting Policies (continued)

Derecognition of Financial Assets and Financial Liabilities (continued)

Financial Assets (continued)

(ii) Derecognition Other than for Substantial Modification (continued)

A transfer only qualifies for derecognition if:

- The Group has transferred substantially all the risks and rewards of the asset; or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's continuing involvement, in which case the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities

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

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Repurchase and Reverse Repurchase Agreements

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5. Summary of Material Accounting Policies (continued)

Repurchase and Reverse Repurchase Agreements (continued)

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the consolidated statement of financial position. The consideration paid (cash collateral provided), including accrued interest is recorded in the consolidated statement of financial position within “loans to banks and financial institutions and reverse repurchase agreements”, reflecting the transaction’s economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in “net interest income” and is accrued over the life of the agreement using the EIR. If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within “financial liabilities at fair value through profit or loss” and measured at fair value with any gains or losses included in “net trading gain” in the consolidated income statement.

Impairment of Financial Assets

(i) Overview of the ECL Principles

The Group records allowance for expected credit losses based on a forward-looking approach for all loans and other financial assets not held at fair value through profit or loss, together with loan commitments and financial guarantee contracts, in this section all referred to as “financial instruments”. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss), unless there has been no significant increase in credit risk since origination, in which case the allowance is based on the 12 months’ expected credit loss (12mECL). The 12mECL is the portion of lifetime ECLs which represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

(ii) Measurement of ECLs

The Group measures ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.
- Financial guarantee contracts: the expected payments to reimburse the holder less any amount that the Group expects to recover.

The key inputs into the measurements of ECL are:

- PD: the Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD: the Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and expected drawdowns on committed facilities.
- LGD: the Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5. Summary of Material Accounting Policies (continued)

Impairment of Financial Assets (continued)

(ii) Measurement of ECLs (continued)

These parameters are generally derived from statistical models and other historical data. Forward-looking information is incorporated in ECL measurements.

The Group measures ECLs using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For these instruments with a remaining maturity of less than 12 months, probability of default corresponding to remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be impaired, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be impaired are included in this stage, the allowance for credit losses captures the lifetime expected credit losses, similar to Stage 2.

(iii) Forborne and Modified Loans

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or otherwise enforcing collection of collateral. The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

When the loan has been renegotiated or modified but not derecognised, the Group also reassesses whether there has been a significant increase in credit risk. The Group also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 12-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- At least a 12-month probation period has passed.
- Three consecutive payments under the new repayment schedule have been made.
- The borrower has no past dues under any obligation to the Group.
- All the terms and conditions agreed to as part of the restructuring have been met.

If modifications are substantial, the loan is derecognised, as explained above.

(iv) Credit-impaired Financial Assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at fair value through other comprehensive income, and finance lease receivables are credit-impaired (referred to as "Stage 3 financial assets"). A financial asset is "credit-impaired" when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable information:

- Significant financial difficulty of the borrower or issuer.
- A breach of contract such as a default or past due event.
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise.
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.
- The disappearance of an active market for a security because of financial difficulties.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5. Summary of Material Accounting Policies (continued)

Impairment of Financial Assets (continued)

(v) *Write-offs*

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to "net recovery (impairment loss) on financial assets".

(vi) *Debt Instruments at Fair Value through Other Comprehensive Income*

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to the income statement. The accumulated loss recognised in OCI is recycled to the income statement upon derecognition of the assets.

(vii) *Collateral Repossessed*

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

Upon sale of repossessed assets, any gain or loss realised is recognised in the consolidated income statement under "other operating income" or "other operating expenses". Gains resulting from the sale of repossessed assets are transferred to "reserves appropriated for capital increase" in the following financial year.

Fair Value Measurement

The Group measures financial instruments, such as derivatives and non-financial assets, namely land and building and building improvements, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in these notes.

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5. Summary of Material Accounting Policies (continued)

Fair Value Measurement (continued)

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

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

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

Hedge Accounting

As part of its risk management, the Group identifies a series of risk categories with corresponding hedging strategies using derivative instruments.

When a hedging relationship meets the specified hedge accounting criteria set out in IFRS 9, the Group applies one of the three types of hedge accounting: fair value hedges, cash flow hedges, or hedges of net investments in a foreign operation.

At the inception, the Group formally documents how the hedging relationship meets the hedge accounting criteria. It also records the economic relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness.

A hedging relationship qualifies for hedge accounting only if: (a) the hedging relationship consists only of eligible hedging instruments and eligible hedged items; (b) at the inception of the hedging relationship, there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge; and (c) the hedging relationship meets all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create hedge ineffectiveness that could result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis in order to qualify for hedge accounting. The effectiveness test can be performed qualitatively or quantitatively. A formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item, both at inception and semi-annually on an ongoing basis. Hedge ineffectiveness is recognised in the consolidated income statement in "net trading gain".

The Group applies the IBOR reform Phase 1 reliefs to hedging relationships directly affected by IBOR reform during the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (RFR). The reliefs apply during the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). A hedging relationship is affected if interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5. Summary of Material Accounting Policies (continued)

Hedge Accounting (continued)

The reliefs require that for the purpose of determining whether a forecast transaction is highly probable, it is assumed that the IBOR on which the hedged cash flows are based is not altered as a result of IBOR reform. IBOR reform Phase 1 requires that for hedging relationships affected by IBOR reform, the Group must assume that for the purpose of assessing expected future hedge effectiveness, the interest rate is not altered as a result of IBOR reform. The reliefs cease to apply once certain conditions are met. These include when the uncertainty arising from IBOR reform is no longer present with respect to the timing and amount of the benchmark-based cash flows of the hedged item, if the hedging relationship is discontinued or once amounts in the cash flow hedge reserve have been released.

IBOR reform Phase 2 provides temporary reliefs that allow the Bank's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Group to amend the hedge designations and hedge documentation.

(i) *Fair Value Hedges*

For qualifying fair value hedges, the gain or loss on the hedging instrument is recognised in the consolidated income statement under "net trading gain". Hedging gain or loss on the hedged item adjusts the carrying amount of the hedged item and is recognised in the consolidated income statement also under "net trading gain". If the hedged item is an equity instrument for which the Group has elected to present changes in fair value in other comprehensive income, those amounts remain in other comprehensive income.

If the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, or the Group decides to voluntarily discontinue the hedging relationship, the hedge relationship is discontinued prospectively. If the relationship does not meet the hedge effectiveness criteria, the Group discontinues hedge accounting from the last date on which compliance with hedge effectiveness was demonstrated. If the hedge accounting relationship is terminated for an item recorded at amortised cost, the accumulated fair value hedge adjustment to the carrying amount of the hedged item is amortised over the remaining term of the original hedge by recalculating the EIR. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated income statement.

(ii) *Cash Flow Hedges*

For qualifying cash flow hedge, a separate component of equity associated with the hedged item (cash flow hedge reserve) is adjusted to the lower of the following (in absolute amounts):

- a) The cumulative gain or loss on the hedging instrument from inception of the hedge.
- b) The cumulative change in fair value (present value) of the hedged item from inception of the hedge.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge (the portion that is offset by the change in the cash flow hedge reserve described above) shall be recognised in other comprehensive income. Any remaining gain or loss on the hedging instrument is hedge ineffectiveness that shall be recognised in the consolidated income statement. The amount that has been accumulated in the cash flow hedge reserve and associated with the hedged item is treated as follows:

- a) If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the Group removes that amount from the cash flow hedge reserve and includes it directly in the initial cost or other carrying amount of the asset or the liability without affecting other comprehensive income.
- b) For cash flow hedges other than those covered by a), that amount is reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss. However, if that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, it immediately reclassifies the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5. Summary of Material Accounting Policies (continued)

Hedge Accounting (continued)

(ii) Cash Flow Hedges (continued)

When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the consolidated income statement.

(iii) Hedge of Net Investments

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

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a Lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use Assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within “property, equipment and right-of-use assets” on the consolidated financial statements and are subject to impairment in line with the Group’s policy, as described under “impairment of non-financial assets”.

Depreciation charge for right-of-use assets is presented within “depreciation of property, and equipment and right-of-use assets” in the consolidated financial statements.

(ii) Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5. Summary of Material Accounting Policies (continued)

Leases (continued)

(ii) Lease Liabilities (continued)

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group's lease liabilities are included under "other liabilities". Moreover, the interest charge on lease liabilities is presented within "interest and similar expenses" in consolidated financial statements.

(iii) Short-term Leases and Leases of Low-value Assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term. Other rental expenses (including non-lease components paid to landlords) are presented within other operating expenses.

Group as a Lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Revenue Recognition

The following specific recognition criteria must also be met before revenue is recognised.

(i) Interest and Similar Income and Expense

The Effective Interest Rate

Interest income and expense are recognised in the income statement applying the EIR method for all financial instruments measured at amortised cost, financial instruments designated at fair value through profit or loss, and interest-bearing financial assets measured at fair value through other comprehensive income.

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the EIR for financial instruments other than purchased or originated credit-impaired, an entity shall take into account all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but shall not consider the expected credit losses. For purchased or originated credit-impaired financial assets, a credit adjusted effective interest rate is calculated using estimated future cash flows and expected credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5. Summary of Material Accounting Policies (continued)

Revenue Recognition (continued)

(i) Interest and Similar Income and Expense (continued)

Interest Income and Interest Expense

The effective interest rate of a financial asset or a financial liability is calculated on initial recognition of the financial asset or financial liability. In determining interest income and expense, the EIR is applied to the gross carrying amount of the financial asset (unless the asset is credit-impaired) or the amortised cost of a financial liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts, unless the financial instrument is measured at fair value, with the change in fair value being recognised in the income statement. In those cases, the fees are recognised as revenue or expense when the instrument is initially recognised.

When a financial asset becomes credit-impaired after initial recognition, interest income is determined by applying EIR to the net amortised cost of the instrument. If the financial asset cures and is no longer credit-impaired, the Group reverts back to calculating interest income on a gross basis. Furthermore, for financial assets that were credit-impaired on initial recognition, interest is determined by applying a credit-adjusted EIR to the amortised cost of the instrument. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income calculated using the effective interest method presented in the consolidated income statement includes:

- Interest on financial assets at amortised cost.
- Interest on debt instruments measured at fair value through other comprehensive income.
- The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows in the same period as the hedged cash flows affect interest income/expense.

Interest expense presented in the consolidated income statement includes:

- Financial liabilities measured at amortised cost.
- The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows in the same period as the hedged cash flows affect interest income/expense.

Interest income and expense on financial instruments measured at fair value through profit or loss are presented under "net trading gain" in the consolidated income statement.

(ii) Fee and Commission Income

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

Fee Income Earned from Services that Are Provided over a Certain Period of Time

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

2. MATERIAL ACCOUNTING POLICIES (continued)**2.5. Summary of Material Accounting Policies (continued)****Revenue Recognition (continued)****(ii) Fee and Commission Income (continued)***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 or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fee or components of fee that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

(iii) Dividend Income

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

(iv) Net trading gain

Net trading gain comprises gains and losses related to trading assets and liabilities, non-trading derivatives held for risk management purposes that do not form part of qualifying hedging relationships, financial assets and financial liabilities designated as at fair value through profit or loss, and non-trading assets mandatorily measured at fair value through profit or loss. The line item includes fair value changes, interest, dividends and foreign exchange differences.

Cash and Cash Equivalents

“Cash and cash equivalents” as referred to in the cash flow statement comprises balances with original maturities of a period of three months or less including cash and balances with central banks, deposits with banks and financial institutions, deposits due to banks and financial institutions, and repurchase and reverse repurchased agreements.

Property and Equipment

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

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised since the date of revaluation. Valuations are performed by internal or external valuers with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in other comprehensive income and credited to the real estate revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

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

- | | |
|--|-------------|
| • Buildings | 40-50 years |
| • Freehold improvements | 5-10 years |
| • Leasehold improvements | 5-10 years |
| • Motor vehicles | 5-7 years |
| • Office equipment and computer hardware | 5-10 years |
| • Office machinery and furniture | 10 years |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5. Summary of Material Accounting Policies (continued)

Property and Equipment (continued)

Any item of property and equipment and any significant part initially recognised are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. 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 included in the consolidated income statement when the asset is derecognised.

Intangible Assets

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

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement.

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

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

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

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

- Computer software 5 years
- Key money 70 years

Assets obtained in Settlement of Debt, Assets Held for Sale and Discontinued Operations

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

Property, plant and equipment, and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately in the statement of financial position.

A discontinued operation is a component of an entity that has either been disposed of or is classified as held for sale, and: a) represents a separate major line of business or geographical area of operations; b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or c) is a subsidiary acquired exclusively with a view to resale.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5. Summary of Material Accounting Policies (continued)

Assets obtained in Settlement of Debt, Assets Held for Sale and Discontinued Operations (continued)

In the consolidated income statement of the reporting period and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the loss of control. The resulting profit or loss (after taxes) is reported separately in the income statement.

Impairment of Non-financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Provisions for Risks and Charges

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Group determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5. Summary of Material Accounting Policies (continued)

Provisions for Risks and Charges (continued)

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings both in Lebanon and in other jurisdictions, arising in the ordinary course of the Group's business.

When the Group can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group records a provision against the case. Where the probability of outflow is considered to be remote or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Group is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Group does not include detailed, case-specific disclosures in its financial statements.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents.

Pensions and Other Post-employment Benefits

The Group provides retirement benefits obligations to its employees under defined benefit plans, which requires contributions to be made to separately administered funds. The cost of providing these benefits is determined using the projected unit credit method which involves making actuarial assumptions about discount rates and future salary increases. Those assumptions are unbiased and mutually compatible.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling excluding net interest, and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "personnel expenses" in consolidated statement of income:

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements.
- Net interest expense or income.

Taxes

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

(i) Current Tax

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

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

(ii) Deferred Tax

Deferred tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5. Summary of Material Accounting Policies (continued)

Taxes (continued)

(ii) *Deferred Tax (continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

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

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

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

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

Current tax and deferred tax relating to items recognised directly in other comprehensive income are also recognised in other comprehensive income and not in the consolidated income statement.

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Dividends on Common Shares

Dividends on common shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

2. MATERIAL ACCOUNTING POLICIES (continued)

2.5. Summary of Material Accounting Policies (continued)

Treasury Shares

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

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

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

Assets under Management and Assets Held in Custody and under Administration

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

Customers' Acceptances

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

2.6. Material Accounting Judgments and Estimates

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

Judgments

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

Going Concern

Notwithstanding the events and conditions disclosed in Note 1, these consolidated financial statements have been prepared based on the going concern assumption. The Board of Directors believe that they are taking all the measures available to maintain the viability of the Group and continue its operations in the current business and economic environment.

Impairment of Goodwill

Management's judgment is required in estimating the future cash flows of the CGUs. These values are sensitive to cash flows projected for the periods for which detailed forecasts are available, and to assumptions regarding the term sustainable pattern of cash flows thereafter. While the acceptable range within which underlying assumptions can be applied is governed by the requirement for resulting forecasts to be compared with actual performance and verifiable economic data in future years, the cash flow forecasts necessarily and appropriately reflect Management's view of future business prospects.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.6. Material Accounting Judgments and Estimates (continued)

Judgments (continued)

Business Model

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

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice.
- How management evaluates the performance of the portfolio.
- Whether Management's strategy focuses on earning contractual interest revenues.
- The degree of frequency of any expected asset sales.
- The reason for any asset sales, and
- Whether assets that are sold are held for an extended period of time relative to their contractual maturity.

Contractual Cash Flows of Financial Assets

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

Deferred Tax Assets

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

Hedge Accounting

The Group's hedge accounting policies include an element of judgment and estimation. Estimates of future interest rates and the general economic environment will influence the availability and timing of suitable hedged items, with an impact on the effectiveness of the hedge relationships. Details of the Group's hedge accounting policies and the sensitivities most relevant to risks are disclosed in these notes.

The Group applies temporary reliefs which enable its hedge accounting to continue during the period of uncertainty, before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. For the purpose of determining whether a forecast transaction is highly probable, the reliefs require to be assumed that the IBOR on which the hedged cash flows are based is not altered as a result of IBOR reform.

Determining the Lease Term of Contracts with Renewal and Termination Options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain to exercise or not the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. a change in business strategy).

The Group included the renewal period as part of the lease term for leases of head offices and branches due to the significance of these assets to its operations. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

2. MATERIAL ACCOUNTING POLICIES (continued)

2.6. Material Accounting Judgments and Estimates (continued)

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded on the 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 is not available, estimation is required to establish fair values. The judgments and estimates include considerations of liquidity and model inputs such as credit risk (both own and counterparty) funding value adjustments, correlation and volatility.

Impairment Losses on Financial Instruments

The measurement of impairment losses across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs. Components of the ECL models that are considered accounting judgments and estimates include:

- The Group's internal credit rating model.
- The Group's criteria for assessing if there has been a significant increase in credit risk.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios and economic inputs and their impact on ECL calculation.
- Selection of forward-looking macroeconomic scenarios and their probability of occurrence, to derive the ECL models.

As per internal policy, the Group regularly reviews its models in the context of actual loss experience and adjusts when necessary.

Impairment of Non-financial Assets

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

Revaluation of Property and Equipment

The Group carries its land and buildings and building improvements at fair value, with changes in fair value being recognised in other comprehensive income. These are valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The Group engaged an independent valuation specialist to assess fair values for property and equipment. The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Note 25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

2. MATERIAL ACCOUNTING POLICIES (continued)

2.6. Material Accounting Judgments and Estimates (continued)

Estimates and Assumptions (continued)

Pensions Obligation

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are highly sensitive to changes in these assumptions.

Leases – Estimating the Incremental Borrowing Rate

The Group cannot readily determine the interest rate implicit in the lease, therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

3. SEGMENT REPORTING

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segments are evaluated based on information relating to net operating income and financial position. Income taxes and operating expenses are managed on a group basis and are not allocated to operating segments.

Interest income is reported net, since Management monitors net interest income as a performance measure and not the gross income and expense amounts. Net interest income is allocated to the business segment based on the assumption that all positions are funded or invested via a central funding unit. An internal Funds Transfer Pricing (FTP) mechanism was implemented between operating segments. Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

The assets and liabilities that are reported in the segments are net from inter-segments’ assets and liabilities since they constitute the basis of Management’s measures of the segments’ assets and liabilities and the basis of the allocation of resources between segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

3. SEGMENT REPORTING (continued)

A) Business Segments

The Group operates in four main business segments which are Corporate and Commercial Banking, Retail and Personal Banking, Treasury and Capital Markets, and Group Functions and Head Office.

Corporate and Commercial Banking	Provides diverse products and services to the corporate and commercial customers including loans, deposits, trade finance, as well as all regular Corporate and Commercial Banking activities.
Retail and Personal Banking	Provides individual customers' deposits and consumer loans, overdrafts, credit cards, and funds transfer facilities, as well as all regular Retail and Private Banking activities.
Treasury and Capital Markets	Provides Treasury services including transactions in money and capital markets for the Group's customers, manages investment and trading transactions (locally and internationally), and manages liquidity, foreign currency and market risks. This segment also offers Investment Banking and brokerage services, and manages the Group's own portfolio of stocks, bonds, and other financial instruments.
Group Functions and Head Office	Consists of capital and strategic investments, exceptional profits and losses, as well as operating results of subsidiaries which offer non-banking services.

The following tables present net operating income information and financial position information.

(i) Net Operating Income Information

	2024				Total LBP Million
	Corporate and Commercial Banking LBP Million	Retail and Personal Banking LBP Million	Treasury and Capital Markets LBP Million	Group Functions and Head Office LBP Million	
Net interest income	2,850,491	6,981,843	9,532,681	125,040	19,490,055
Non-interest income					
Net fee and commission	3,741,873	5,400,384	462,050	372,808	9,977,115
Financial operations	-	1,276,970	8,894,540	263,123	10,434,633
Other operating income	14,088	49,423	166,994	611,628	842,133
Total non-interest income	3,755,961	6,726,777	9,523,584	1,247,559	21,253,881
Total operating income	6,606,452	13,708,620	19,056,265	1,372,599	40,743,936
Net recovery on financial assets	1,283,791	556,369	(666,687)	-	1,173,473
Net operating income	7,890,243	14,264,989	18,389,578	1,372,599	41,917,409

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

3. SEGMENT REPORTING (continued)

A) Business Segments (continued)

(i) Net Operating Income Information (continued)

	2023				
	Corporate and Commercial Banking LBP Million	Retail and Personal Banking LBP Million	Treasury and Capital Markets LBP Million	Group Functions and Head Office LBP Million	Total LBP Million
Net interest income	902,130	1,939,931	2,392,440	70,109	5,304,610
Non-interest income					
Net fee and commission	730,709	937,946	68,626	76,830	1,814,111
Financial operations	(1,362)	109,009	1,589,852	(273,431)	1,424,068
Share of gain of associates	-	-	-	10,177	10,177
Other operating income	2,051	60,156	156	13,678	76,041
Total non-interest income	731,398	1,107,111	1,658,634	(172,746)	3,324,397
Total operating income	1,633,528	3,047,042	4,051,074	(102,637)	8,629,007
Net impairment on financial assets	(514,030)	213,270	(2,199,815)	-	(2,500,575)
Net operating income	1,119,498	3,260,312	1,851,259	(102,637)	6,128,432

(ii) Financial Position Information

	2024				
	Corporate and Commercial Banking LBP Million	Retail and Personal Banking LBP Million	Treasury and Capital Markets LBP Million	Group Functions and Head Office LBP Million	Total LBP Million
Total assets	33,830,617	127,162,830	1,088,461,111	41,443,323	1,290,897,881
Total liabilities	112,861,627	1,019,861,824	22,460,403	68,975,947	1,224,159,801

	2023				
	Corporate and Commercial Banking LBP Million	Retail and Personal Banking LBP Million	Treasury and Capital Markets LBP Million	Group Functions and Head Office LBP Million	Total LBP Million
Investment in an associate	-	-	-	141,155	141,155
Total assets	6,702,532	21,095,604	182,469,008	25,677,952	235,945,096
Total liabilities	20,697,581	176,162,975	7,031,034	9,087,327	212,978,917

Capital expenditures amounting to LBP 296,729 million for the year 2024 (2023: LBP 118,819 million) are allocated to the Group Functions and Head Office business segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

3. SEGMENT REPORTING (continued)

A) Business Segments (continued)

(ii) Financial Position Information (continued)

Interest and similar income from exposure to the Central Bank of Lebanon and Lebanese sovereign amounted to LBP 8,086,490 million for the year 2024 (2023: LBP 3,753,359 million) arising from time deposits with the Central Bank of Lebanon and financial instruments held by the Group. The breakdown of interest and similar income from exposure to the Central Bank of Lebanon and Lebanese sovereign is as follows:

	2024 LBP Million	2023 LBP Million
Interest and similar income		
Central Bank of Lebanon	7,945,979	3,616,199
Lebanese sovereign	140,511	137,160
	<u>8,086,490</u>	<u>3,753,359</u>

B) Geographical Segments

The Group operates in three geographical segments: Lebanon, Middle East and North Africa, and Turkey (MENAT) and Europe. As such, it is subject to different risks and returns. The following tables show the distribution of the Group's net external operating income, assets and liabilities allocated based on the location of the subsidiaries reporting the results or advancing the funds. Transactions between segments are carried at market prices and within pure trading conditions.

(i) Net Operating Income Information

	2024			
	Lebanon LBP Million	MENAT LBP Million	Europe LBP Million	Total LBP Million
Net interest income	12,807,587	422,595	6,259,873	19,490,055
Non-interest income				
Net fee and commission	5,932,712	530,792	3,513,611	9,977,115
Financial operations	8,352,837	200,700	1,881,096	10,434,633
Other operating income	831,275	3,064	7,794	842,133
Total non-interest income	<u>15,116,824</u>	<u>734,556</u>	<u>5,402,501</u>	<u>21,253,881</u>
Total external operating income	<u>27,924,411</u>	<u>1,157,151</u>	<u>11,662,374</u>	<u>40,743,936</u>
Net recovery on financial assets	933,892	(55,426)	295,007	1,173,473
Net external operating income	<u>28,858,303</u>	<u>1,101,725</u>	<u>11,957,381</u>	<u>41,917,409</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

3. SEGMENT REPORTING (continued)

B) Geographical Segments (continued)

(i) Net Operating Income Information (continued)

	2023			
	Lebanon LBP Million	MENAT LBP Million	Europe LBP Million	Total LBP Million
Net interest income	4,157,268	92,421	1,054,921	5,304,610
Non-interest income				
Net fee and commission	1,235,976	60,446	517,689	1,814,111
Financial operations	1,458,122	5,356	(39,410)	1,424,068
Share of gain of associates	10,177	-	-	10,177
Other operating income	72,365	98	3,578	76,041
Total non-interest income	2,776,640	65,900	481,857	3,324,397
Total external operating income	6,933,908	158,321	1,536,778	8,629,007
Net impairment on financial assets	(2,303,914)	(22,824)	(173,837)	(2,500,575)
Net external operating income	4,629,994	135,497	1,362,941	6,128,432

(ii) Financial Position Information

	2024			
	Lebanon LBP Million	MENAT LBP Million	Europe LBP Million	Total LBP Million
Capital expenditures	125,750	4,031	166,948	296,729
Total assets	1,040,796,579	12,904,573	237,196,729	1,290,897,881
Total liabilities	1,028,182,906	5,370,055	190,606,840	1,224,159,801

	2023			
	Lebanon LBP Million	MENAT LBP Million	Europe LBP Million	Total LBP Million
Capital expenditures	92,636	4,034	22,149	118,819
Investment in an associate	141,155	-	-	141,155
Total assets	196,875,648	2,268,480	36,800,968	235,945,096
Total liabilities	182,348,277	1,175,798	29,454,842	212,978,917

Segment reporting assets and liabilities as at 31 December 2024 do not include those held for sale and amounting to LBP 200,628,451 million and LBP 181,916,730 million respectively (2023: LBP 42,541,256 million and LBP 39,430,857 million respectively).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

4. INTEREST AND SIMILAR INCOME

	<i>2024</i>	<i>2023</i>
	<i>LBP Million</i>	<i>LBP Million</i>
Balances with central banks	8,084,466	2,955,102
Due from banks and financial institutions	6,732,682	985,363
Loans and advances to customers at amortised cost	5,303,822	1,047,810
Loans and advances to related parties at amortised cost	12,528	3,619
Financial assets classified at amortised cost	2,025,967	1,028,261
Debt instruments classified at fair value through other comprehensive income	382,939	4,759
	<u>22,542,404</u>	<u>6,024,914</u>

Withholding taxes amounting to LBP 556,945 million were deducted from interest and similar income (2023: LBP 381,779 million).

The components of interest and similar income from loans and advances to customers at amortised cost are detailed as follows:

	<i>2024</i>	<i>2023</i>
	<i>LBP Million</i>	<i>LBP Million</i>
Corporate and SME	2,549,398	500,683
Retail and Personal Banking	2,754,424	547,127
	<u>5,303,822</u>	<u>1,047,810</u>

The components of interest and similar income from financial assets classified at amortised cost are detailed as follows:

	<i>2024</i>	<i>2023</i>
	<i>LBP Million</i>	<i>LBP Million</i>
Lebanese sovereign and Central Bank of Lebanon	1,106,831	927,292
Other sovereign	228,987	11,690
Private sector and other securities	690,149	89,279
	<u>2,025,967</u>	<u>1,028,261</u>

The components of interest and similar income from financial assets classified at fair value through other comprehensive income are detailed as follows:

	<i>2024</i>	<i>2023</i>
	<i>LBP Million</i>	<i>LBP Million</i>
Other sovereign	10,275	2,747
Private sector and other securities	372,664	2,012
	<u>382,939</u>	<u>4,759</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

5. INTEREST AND SIMILAR EXPENSE

	<i>2024</i> <i>LBP Million</i>	<i>2023</i> <i>LBP Million</i>
Due to central banks	45,247	45,324
Due to banks and financial institutions	29,745	35,067
Customers' deposits	1,968,094	305,218
Deposits from related parties	4,310	927
Debt issued and other borrowed funds	996,445	332,266
Lease liabilities	8,508	1,502
	<u>3,052,349</u>	<u>720,304</u>

The components of interest and similar expense from customers' deposits are detailed as follows:

	<i>2024</i> <i>LBP Million</i>	<i>2023</i> <i>LBP Million</i>
Corporate and SME	836,143	45,206
Retail and Personal Banking	1,021,910	259,609
Public Sector	110,041	403
	<u>1,968,094</u>	<u>305,218</u>

6. FEE AND COMMISSION INCOME

	<i>2024</i> <i>LBP Million</i>	<i>2023</i> <i>LBP Million</i>
Commercial banking income	5,471,045	1,193,062
Brokerage and custody income	3,294,078	497,507
Electronic banking	1,194,964	86,864
Trade finance income	587,051	99,149
Credit-related fees and commissions	274,594	39,484
Trust and fiduciary activities	262,060	26,861
Corporate finance fees	-	551
Insurance brokerage income	-	403
Other fees and commissions	213,342	10,815
	<u>11,297,134</u>	<u>1,954,696</u>

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At 31 December 2024

7. FEE AND COMMISSION EXPENSE

	<i>2024</i> <i>LBP Million</i>	<i>2023</i> <i>LBP Million</i>
Electronic banking	607,464	42,388
Brokerage and custody fees	516,910	77,051
Commercial Banking expenses	97,771	14,580
Other fees and commissions	97,874	6,566
	<u>1,320,019</u>	<u>140,585</u>

8. NET TRADING GAIN

	<i>2024</i> <i>LBP Million</i>	<i>2023</i> <i>LBP Million</i>
Gain (loss) on financial instruments at fair value through profit or loss	1,014,290	(139,600)
Foreign exchange	1,114,520	(134,657)
Derivatives	752,211	307,502
Gain (loss) resulting from exchange of foreign currencies (*)	312,092	(753,226)
Gain from devaluation of official exchange rates (**)	7,042,618	2,154,110
Dividends	2,361	999
	<u>10,238,092</u>	<u>1,435,128</u>

Foreign exchange includes gains and losses from spot and forward contracts and other currency derivatives, as well as the result of the revaluation of the daily open foreign currency positions.

Interest income from debt instruments at fair value through profit or loss is nil during 2024 (2023: LBP 5,099 million).

(*) During 2024 and 2023, and in order to manage its USD/LBP FX position, the Group engaged in the following transactions:

- During 2024, the Bank purchased from its customers local foreign currencies at a rate of LBP 15,000, which resulted in a gain of LBP 312,092 million recorded in the consolidated income statement.
- During 2023, the Bank bought fresh dollars from customers at Sayrafa average rates to cover external committed expenses. These transactions resulted in a loss of LBP 675,765 million recorded in the consolidated income statement.
- During 2023, certain subsidiaries also engaged into exchanges of foreign currencies subject to de-facto controls at rates different from the official published exchange rate, which resulted in a loss of LBP 77,461 million recorded in the consolidated income statement.

(**) In January 2024, the Central Bank of Lebanon changed the official published exchange rate from LBP 15,000 to LBP 89,500 to the US Dollar which resulted in a gain of LBP 7,042,618 million recorded in the consolidated income statement (2023: from LBP 1,507.5 to LBP 15,000 to the US Dollar which resulted in a gain of LBP 2,154,110 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

9. NET GAIN (LOSS) ON DERECOGNITION OF FINANCIAL ASSETS AT AMORTISED COST

The Group derecognises some debt instruments classified at amortised cost for the purpose of currency risk management.

The schedule below details the losses arising from the derecognition of these financial assets:

	<i>2024</i> <i>LBP Million</i>	<i>2023</i> <i>LBP Million</i>
<i>Lebanese sovereign and Central Bank of Lebanon</i>		
Certificates of deposit	-	(27)
Eurobonds	199,690	2,343
	<u>199,690</u>	<u>2,316</u>
<i>Other sovereign</i>		
Governmental bills	1,791	(10,830)
	<u>1,791</u>	<u>(10,830)</u>
<i>Private sector and other securities</i>		
Corporate debt instruments	-	(2,553)
	<u>-</u>	<u>(2,553)</u>
	<u>201,481</u>	<u>(11,067)</u>

10. OTHER OPERATING INCOME

	<i>2024</i> <i>LBP Million</i>	<i>2023</i> <i>LBP Million</i>
Release of provision for risks and charges (Note 36)	4,166	9
Release of provision for end of service indemnities (Note 36)	14,694	837
Gain arising from acquisition of a subsidiary (Note 24)	507,343	-
Other income	315,930	75,195
	<u>842,133</u>	<u>76,041</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

11. NET (RECOVERY) IMPAIRMENT LOSS ON FINANCIAL ASSETS

	2024 <i>LBP Million</i>	2023 <i>LBP Million</i>
<i>Re-measurements:</i>		
Cash and balances with central banks	-	452,629
Due from banks and financial institutions	(144,083)	34,549
Loans and advances to customers at amortised cost	2,256,551	236,185
Loans and advances to related parties at amortised cost	-	8
Financial assets at amortised cost	814,938	1,713,114
Financial guarantees and other commitments	53,735	1,126
	<u>2,981,141</u>	<u>2,437,611</u>
<i>Recoveries:</i>		
Loans and advances to customers at amortised cost	(4,327,641)	(199,921)
Financial guarantees and other commitments	-	(923)
	<u>(4,327,641)</u>	<u>(200,844)</u>
Net direct losses	<u>173,027</u>	<u>263,808</u>
	<u>(1,173,473)</u>	<u>2,500,575</u>

During 2024, the Group acquired Lebanese Government Eurobonds using a multiplier factor as these transactions were settled in foreign currencies subject to de-facto capital controls. Part of these transactions occurred with existing debtors that simultaneously used the foreign currencies subject to de-facto capital controls to settle part of their outstanding debt. As a result, for the year ended 31 December 2024, the Group recognized an impairment loss on financial assets at amortized cost amounting to LBP 3,958,876 million and recoveries on loans and advances to customers at amortized cost amounting to LBP 2,727,850 million. These transactions were queried by the regulator, whereby the latter has instructed the Bank to discontinue entering into such transactions going forward. No penalties or sanctions were imposed on the Bank as a result of these transactions.

12. PERSONNEL EXPENSES

	2024 <i>LBP Million</i>	2023 <i>LBP Million</i>
Salaries and related benefits	7,033,661	1,394,414
Social security contributions	842,750	173,527
Schooling	369,379	107,723
End-of-service benefits (Note 36)	364,177	383,266
Transportation	194,460	138,847
Medical expenses	175,576	70,799
Training and seminars	26,442	2,872
Food and beverage	9,341	1,243
Others	129,835	91,604
	<u>9,145,621</u>	<u>2,364,295</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

13. OTHER OPERATING EXPENSES

	<i>2024</i> <i>LBP Million</i>	<i>2023</i> <i>LBP Million</i>
Provisions for risks and charges (Note 36)	23,975,043	2,556,577
Professional fees	1,038,313	276,730
Information technology	849,709	139,242
Electricity, water and fuel	426,538	332,303
Outsourcing services	329,100	185,446
Advertising fees	289,249	46,029
Insurance premiums	287,194	97,639
Maintenance	223,710	88,487
Subscription to communication services	223,006	32,454
Taxes and similar disbursements	194,884	71,691
Facilities services	173,568	114,616
Board of Directors' fees	165,236	19,711
Rental charges under operating leases	125,813	50,787
Travel and related expenses	125,733	30,459
Telephone and mail	92,009	26,702
Premium for guarantee of deposits	80,640	10,583
Hospitalisation and medical care	80,438	44,961
Electronic cards expenses	70,101	30,410
Regulatory charges	56,967	26,848
Documentation and miscellaneous subscriptions	57,728	8,225
Office supplies	19,028	9,318
Donations and social aids	13,700	8,101
Receptions and gifts	11,794	2,736
Others	276,115	42,992
	<u>29,185,616</u>	<u>4,253,047</u>

14. INCOME TAX

The components of income tax expense for the year ended 31 December are detailed as follows:

	<i>2024</i> <i>LBP Million</i>	<i>2023</i> <i>LBP Million</i>
Current tax		
Current income tax	2,229,161	264,289
Adjustment in respect of current income tax relating to prior years	(108,867)	-
Other taxes treated as income tax	4,258	237
	<u>2,124,552</u>	<u>264,526</u>
Deferred tax		
Relating to origination and reversal of temporary differences	(69,101)	(15,520)
	<u>2,055,451</u>	<u>249,006</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

14. INCOME TAX (continued)

The components of operating profit (loss) before tax, and the differences between income tax expense reflected in the financial statements and the calculated amounts, are shown in the table below:

	<i>2024</i> <i>LBP Million</i>	<i>2023</i> <i>LBP Million</i>
Operating profit (loss) before tax from continuing operations	2,731,057	(741,486)
At applicable tax rate	<u>1,177,142</u>	<u>82,622</u>
<i>Non-deductible expenses:</i>		
Non-deductible expenses and losses for carry forward	10,631	535,929
Non-deductible provisions	187,378	152,557
Unrealised losses on financial instruments	888	15,871
Other non-deductibles	4,011,873	458,685
	<u>4,210,770</u>	<u>1,163,042</u>
<i>Income not subject to tax:</i>		
Revenues previously subject to tax	131,899	7,114
Carried forward losses	663,368	761,436
Exempted revenues	178	1,984
Unrealised gains on financial instruments	70,147	127,893
Other deductibles	2,293,159	82,948
	<u>3,158,751</u>	<u>981,375</u>
Income tax	<u>2,229,161</u>	<u>264,289</u>
Effective income tax rate	<u>81.62%</u>	<u>(35.64%)</u>

The tax rates applicable to the parent and subsidiaries vary from 10% to 25% in accordance with the income tax laws of the countries where the Group operates. For the purpose of determining the taxable results of the subsidiaries for the year, the accounting results have been adjusted for tax purposes. Such adjustments include items relating to both income and expense, and are based on the current understanding of the existing tax laws and regulations and tax practices.

The movement of current tax liabilities during the year is as follows:

	<i>2024</i> <i>LBP Million</i>	<i>2023</i> <i>LBP Million</i>
Balance at 1 January	269,203	28,996
Charges for the year	2,124,552	264,526
Charges related to discontinued operations	-	49,697
Transfer to tax regularisation accounts	(242,395)	(14,323)
Other transfers	48	34
	<u>1,882,205</u>	<u>299,934</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

14. INCOME TAX (continued)

	2024 LBP Million	2023 LBP Million
<i>Less taxes paid:</i>		
Current year tax liabilities	(1,220)	-
Prior year tax liabilities	(1,290,775)	(38,109)
Taxes paid related to discontinued operations	-	(67,093)
	<u>(1,291,995)</u>	<u>(105,202)</u>
Foreign exchange difference	665,767	45,475
Balance at 31 December	<u>1,525,180</u>	<u>269,203</u>

Deferred taxes recorded in the consolidated statement of financial position result from the following items:

	2024					Other Comprehensive Income from Discontinued Operations LBP Million
	Deferred Tax Assets LBP Million	Deferred Tax Liabilities LBP Million	Income Statement from Continuing Operations LBP Million	Income Statement from Discontinued Operations LBP Million	Other Comprehensive Income from Continuing Operations LBP Million	
Impairment allowance on financial assets	458,049	-	68,649	-	-	-
Financial instruments at FVTOCI	343	1,907,390	-	-	(1,635,868)	-
Difference in depreciation rates	30,614	1,058	(458)	-	-	-
Defined benefit obligation	18,988	(249,714)	910	-	(3,977)	-
Revaluation of real estate	-	281,323	-	-	43,702	-
Other temporary differences	-	749	-	-	-	-
	<u>507,994</u>	<u>1,940,806</u>	<u>69,101</u>	<u>-</u>	<u>(1,596,143)</u>	<u>-</u>
	2023					Other Comprehensive Income from Discontinued Operations LBP Million
	Deferred Tax Assets LBP Million	Deferred Tax Liabilities LBP Million	Income Statement from Continuing Operations LBP Million	Income Statement from Discontinued Operations LBP Million	Other Comprehensive Income from Continuing Operations LBP Million	
Provisions	-	-	-	(5,649)	-	-
Impairment allowance on financial assets	69,972	-	63,075	124,575	-	-
Financial instruments at FVTOCI	511	274,181	-	-	(270,754)	121,671
Difference in depreciation rates	5,214	1,058	347	-	-	-
Defined benefit obligation	22,490	(59,736)	-	-	46,154	6,544
Revaluation of real estate	-	94,574	-	-	(534,872)	-
Cash flow hedge reserve	-	-	-	-	-	(9,552)
Other temporary differences	-	749	(47,902)	(91,677)	-	-
	<u>98,187</u>	<u>310,826</u>	<u>15,520</u>	<u>27,249</u>	<u>(759,472)</u>	<u>118,663</u>

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15. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share are calculated by dividing the loss for the year attributable to ordinary equity holders of the Bank by the weighted average number of common shares outstanding during the year. The Bank does not have arrangements that might result in dilutive shares. As such, diluted earnings per share was not separately calculated. The following table shows the income and share data used to calculate earnings (loss) per share:

	<i>2024</i> <i>LBP Million</i>	<i>2023</i> <i>LBP Million</i>
Profit (loss) attributable to equity holders of the Bank from continuing and discontinued operations	212,471	(233,195)
Profit (loss) attributable to equity holders of the Bank from continuing operations	675,805	(990,374)
(Loss) profit attributable to equity holders of the Bank from discontinued operations	(463,334)	757,179
Weighted average number of shares outstanding	587,365,833	587,338,495
	<i>2024</i> <i>LBP</i>	<i>2023</i> <i>LBP</i>
Basic and diluted earnings (loss) per share	362	(397)
Basic and diluted earnings (loss) per share from continuing operations	1,151	(1,686)
Basic and diluted (loss) earnings per share from discontinued operations	(789)	1,289

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of authorisation of these consolidated financial statements.

16. CASH AND BALANCES WITH CENTRAL BANKS

	<i>2024</i> <i>LBP Million</i>	<i>2023</i> <i>LBP Million</i>
<i>Cash on hand</i>	9,428,092	2,598,325
<i>Central Bank of Lebanon</i>		
Current accounts	318,596,977	45,604,026
Time deposits	514,773,040	96,950,795
Accrued interest	1,837,778	793,874
	<u>835,207,795</u>	<u>143,348,695</u>
<i>Other central banks</i>		
Current accounts	36,657,218	5,250,814
	<u>36,657,218</u>	<u>5,250,814</u>
	<u>881,293,105</u>	<u>151,197,834</u>
Less: allowance for expected credit losses (Note 52)	(16,228,563)	(2,728,114)
	<u>865,064,542</u>	<u>148,469,720</u>

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16. CASH AND BALANCES WITH CENTRAL BANKS (continued)

During 2019, the Bank and the Central Bank of Lebanon signed a netting agreement for specified financial assets and liabilities that qualifies for netting under the requirements of IAS 32. As at 31 December 2023, time deposits with the Central Bank of Lebanon amounting to LBP 4,826,665 million and term borrowings from the Central Bank of Lebanon are reported on a net basis on the consolidated statement of financial position (Note 30).

As at 31 December 2024, financial assets and financial liabilities that were settled on a net basis amounted to LBP 9,254,889 million (2023: LBP 4,428,224 million) (Note 30).

Obligatory Reserves

- In accordance with the regulations of the Central Bank of Lebanon, banks operating in Lebanon are required to deposit with the Central Bank of Lebanon an obligatory reserve calculated on the basis of 25% of sight commitments and 15% of term commitments denominated in Lebanese Pounds. This is not applicable for investment banks which are exempted from obligatory reserve requirements on commitments denominated in Lebanese Pounds. Additionally, all banks operating in Lebanon are required to deposit with the Central Bank of Lebanon non-interest-bearing placements representing 14% of total deposits in foreign currencies regardless of nature.
- Subsidiary banks operating in foreign countries are also subject to obligatory reserve requirements determined based on the banking regulations of the countries in which they operate.

The following table summarises the Group's placements in central banks available against the obligatory reserves as of 31 December:

	2024			2023		
	<i>Lebanese Pounds</i> LBP Million	<i>Foreign Currencies</i> LBP Million	<i>Total</i> LBP Million	<i>Lebanese Pounds</i> LBP Million	<i>Foreign Currencies</i> LBP Million	<i>Total</i> LBP Million
Central Bank of Lebanon						
Current accounts	1,365,105	-	1,365,105	1,321,133	-	1,321,133
Time deposits	-	121,048,675	121,048,675	-	21,549,525	21,549,525
	<u>1,365,105</u>	<u>121,048,675</u>	<u>122,413,780</u>	<u>1,321,133</u>	<u>21,549,525</u>	<u>22,870,658</u>
Other central banks						
Current accounts	-	911,635	911,635	-	161,298	161,298
	<u>-</u>	<u>911,635</u>	<u>911,635</u>	<u>-</u>	<u>161,298</u>	<u>161,298</u>
	<u>1,365,105</u>	<u>121,960,310</u>	<u>123,325,415</u>	<u>1,321,133</u>	<u>21,710,823</u>	<u>23,031,956</u>

17. DUE FROM BANKS AND FINANCIAL INSTITUTIONS

	2024 LBP Million	2023 LBP Million
Current accounts	69,628,806	8,596,395
Time deposits	78,835,861	16,115,876
Checks for collection	8,709	-
Accrued interest	1,580,162	172,428
	<u>150,053,538</u>	<u>24,884,699</u>
Less: allowance for expected credit losses (Note 52)	(74,894)	(36,713)
	<u>149,978,644</u>	<u>24,847,986</u>

As of 31 December 2024, due from banks and financial institutions include: (i) collaterals given to foreign banks for trade finance amounting to LBP 2,545,553 million (2023: LBP 487,779 million); (ii) amounts subject to seizure from litigations against the Bank of LBP 334,404 million (2023: LBP 60,583 million); and (iii) other restricted amounts of LBP 1,245,147 million (2023: LBP 192,284 million).

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18. DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into derivatives for trading and for risk management purposes. The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the quantity of the derivative contracts' underlying instrument (being an equity instrument, commodity product, reference rate or index, etc.). The notional amounts indicate the volume of transactions outstanding at year-end and are not indicative of either the market risk or credit risk.

Forwards and Futures

Forwards and future contracts are contractual agreements to buy and sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Future contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements.

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or to sell a specific amount of financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in specified underlying index such as an interest rate, foreign currency rate, commodity index or equity index.

Interest rate swaps relate to contracts taken out by the Group with other counterparties (customers and financial institutions) in which the Group either receives or pay a floating rate of interest, respectively, in return for paying or receiving a fixed rate of interest. The payment flows are usually netted against each other, with difference being paid by one party to the other.

In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

The Group has positions in the following types of derivatives:

31 December 2024	<i>Positive Fair Value LBP Million</i>	<i>Negative Fair Value LBP Million</i>	<i>Notional Amount LBP Million</i>
Derivatives held for trading			
Forward foreign exchange contracts	64,218	44,291	11,245,311
Forward precious metals contracts	22,864	-	727,948
Currency swaps	18,119	45,638	8,146,671
Precious metals swaps	5,115	37	278,829
Currency options	292,422	292,422	10,856,643
Credit derivatives	-	-	914,973
Equity options	731,646	731,646	880,712
Total	1,134,384	1,114,034	33,051,087

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At 31 December 2024

18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

31 December 2023	Positive Fair Value LBP Million	Negative Fair Value LBP Million	Notional Amount LBP Million
Derivatives held for trading			
Forward foreign exchange contracts	4,896	3,594	547,720
Forward precious metals contracts	100	1,158	54,723
Currency swaps	176,182	36,213	10,219,152
Precious metals swaps	1,877	2,500	199,652
Currency options	90,655	90,655	4,279,505
Credit derivatives	-	-	156,602
Equity options	178,817	178,817	352,286
Total	452,527	312,937	15,809,640

Derivative Financial Instruments Held for Trading Purposes

Most of the Group's derivative trading activities relate to deals with customers which are normally offset by transactions with other counterparties. Also included under this heading are any derivatives entered into for risk management purposes which do not meet the IFRS 9 hedge accounting criteria.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 LBP Million	2023 LBP Million
<i>Lebanese sovereign and Central Bank of Lebanon</i>		
Eurobonds	7,435,603	165,957
<i>Other sovereign</i>		
Treasury bills	3,481,835	2,321,096
Eurobonds	11,637	1,838
	3,493,472	2,322,934
<i>Private sector and other securities</i>		
Banks and financial institutions	-	1,509,348
Mutual funds	1,414,939	342,164
Equity instruments	255,328	18,137
	1,670,267	1,869,649
	12,599,342	4,358,540

According to the management decision, the Group changed its intention relating to the Eurobonds portfolio amounting to LBP 5,992,510 million from hold to collect to trading. At the transfer effective date, 31 December 2024, the Bank's Eurobonds portfolio was measured at fair value through profit or loss. The purpose is to allow inclusion in the regulatory liquidity ratio.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

20. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST

	<i>2024</i> <i>LBP Million</i>	<i>2023</i> <i>LBP Million</i>
Corporate and SME	48,361,061	9,274,322
Retail and Personal Banking	57,357,172	10,213,628
Public sector	1,330,855	325,394
	<u>107,049,088</u>	<u>19,813,344</u>
Less: allowance for expected credit losses (Note 52)	(21,252,689)	(4,647,761)
	<u>85,796,399</u>	<u>15,165,583</u>

21. LOANS AND ADVANCES TO RELATED PARTIES AT AMORTISED COST

	<i>2024</i> <i>LBP Million</i>	<i>2023</i> <i>LBP Million</i>
Corporate and SME	25	7,222
Retail and Personal Banking	361,823	567,840
	<u>361,848</u>	<u>575,062</u>
Less: allowance for expected credit losses (Note 52)	-	(11)
	<u>361,848</u>	<u>575,051</u>

22. FINANCIAL ASSETS AT AMORTISED COST

	<i>2024</i> <i>LBP Million</i>	<i>2023</i> <i>LBP Million</i>
Lebanese sovereign and Central Bank of Lebanon		
Certificates of deposit	59,479,673	10,428,238
Treasury bills	2,041,628	2,048,052
Eurobonds	-	3,010,000
	<u>61,521,301</u>	<u>15,486,290</u>
Other sovereign		
Treasury bills	29,667,785	3,391,605
Eurobonds	1,370,684	465,142
	<u>31,038,469</u>	<u>3,856,747</u>
Private sector and other securities		
Banks and financial institutions debt instruments	12,573,292	1,581,458
Corporate debt instruments	8,622,102	1,116,385
	<u>21,195,394</u>	<u>2,697,843</u>
	<u>113,755,164</u>	<u>22,040,880</u>
Less: allowance for expected credit losses (Note 52)	(1,182,837)	(2,815,248)
	<u>112,572,327</u>	<u>19,225,632</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

22. FINANCIAL ASSETS AT AMORTISED COST (continued)

During 2019, the Bank and the Central Bank of Lebanon signed a netting agreement for specified financial assets and liabilities that qualifies for netting under the requirements of IAS 32. Accordingly, as at 31 December 2023, certificates of deposit amounting to LBP 2,638,000 million and term borrowings from the Central Bank of Lebanon are reported on a net basis on the consolidated statement of financial position. At 31 December 2024, Lebanese Treasury bills of LBP 1,979,141 million were pledged against term borrowings from the Central Bank of Lebanon (2023: the same) (Note 30). During 2024, financial assets and financial liabilities were settled on a net basis amounted to LBP 2,638,000 million (Note 30).

In addition, as at 31 December 2024, the Group, in agreement with credit-linked depositors, settled deposits amounting to USD 300 million in certificates of deposit with the Central Bank of Lebanon denominated in US Dollar having the same nominal amount (2023: the same) (Note 32).

According to the management decision, the Group changed its intention relating to the Eurobonds portfolio amounting to LBP 5,992,510 million from hold to collect to trading. At the transfer effective date, 31 December 2024, the Bank's Eurobonds portfolio was measured at fair value through profit or loss. The purpose is to allow inclusion in the regulatory liquidity ratio.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>2024</i> <i>LBP Million</i>	<i>2023</i> <i>LBP Million</i>
Debt instruments		
<i>Other sovereign</i>		
Treasury bills	67,335	118,268
Eurobonds	452,353	-
	<u>519,688</u>	<u>118,268</u>
<i>Private sector and other securities</i>		
Banks and financial institutions debt instruments	17,474,990	15,046
Corporate debt instruments	527,366	52,780
	<u>18,002,356</u>	<u>67,826</u>
Equity instruments		
Quoted	11,200,077	1,673,382
Unquoted	793,941	165,797
	<u>11,994,018</u>	<u>1,839,179</u>
	<u><u>30,516,062</u></u>	<u><u>2,025,273</u></u>

Equity Instruments at Fair Value through Other Comprehensive Income

The Group classified the following instruments in private sector securities at fair value through other comprehensive income as it holds them for strategic reasons. The tables below list those equity instruments, dividends received, and the changes in fair value net of applicable taxes:

Bank Audi sal

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

	2024		
	Fair Value LBP Million	Cumulative Changes in Fair Value LBP Million	Dividends LBP Million
Quoted	11,200,077	9,228,192	-
<i>Holcim Liban sal</i>	11,157,643	9,228,192	-
<i>Other equity instruments</i>	42,434	-	-
Unquoted:	793,941	(442,418)	2,480
<i>Banque de l'Habitat sal</i>	15,527	7,296	-
<i>Other equity instruments</i>	778,414	(449,714)	2,480
	<u>11,994,018</u>	<u>8,785,774</u>	<u>2,480</u>
	2023		
	Fair Value LBP Million	Cumulative Changes in Fair Value LBP Million	Dividends LBP Million
Quoted	1,673,382	1,320,851	-
<i>Holcim Liban sal</i>	1,664,484	1,320,851	-
<i>Other equity instruments</i>	8,898	-	-
Unquoted:	165,797	(59,260)	7
<i>Banque de l'Habitat sal</i>	15,527	7,296	-
<i>Other equity instruments</i>	150,270	(66,556)	7
	<u>1,839,179</u>	<u>1,261,591</u>	<u>7</u>

24. INVESTMENT IN AN ASSOCIATE

	Country of Incorporation	Activity	2024 Ownership	2023 Ownership	2024 LBP Million	2023 LBP Million
CBS Holding sal	Lebanon	Services	-	45.54%	-	141,155

Individually Material Associate

CBS Holding SAL

The following table illustrates the summarised financial information of the Group's associate as at 31 December 2023. The information disclosed reflects the amounts presented in the financial statements of the associate and the Group's share of those amounts.

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At 31 December 2024

24. INVESTMENT IN AN ASSOCIATE (continued)

	2023 LBP Million
Current assets	534,255
Non-current assets	59,966
Current liabilities	(432,993)
Non-current liabilities	(29,181)
Equity	<u>132,047</u>
Group's share of equity	60,134
Goodwill	81,021
	<u>141,155</u>
Revenues	532,995
Expenses	(510,648)
Profit for the year	<u>22,347</u>
	<u>10,177</u>

Acquisition of Capital B. Solutions (Holding) SAL

During March 2024, the Group's percentage ownership in Capital B. Solutions (Holding) SAL (previously an associate) increased from 45.54% to 100% after Audi Investments Holding SAL (100% owned subsidiary) acquired the remaining 54.46% of the assets and liabilities of Capital B. Solutions (Holding) SAL through a transfer of shares agreements at LBP 689,413 million. As a result, Capital B. Solutions (Holding) SAL was accounted for under the acquisition method as of 31 December 2024 (2023: equity method). The consolidated financial statements include the results of Capital B. Solutions (Holding) SAL from the acquisition date.

Assets acquired and liabilities assumed

The fair values equalled the carrying values of the net identifiable assets of Capital B. Solutions (Holding) SAL at the date of acquisition and were LBP 1,889,687 million.

The impact on the consolidated income statement from acquisition of Capital B. Solutions (Holding) SAL amounted to LBP 507,343 million and is summarized below:

Pre-acquisition of Capital B. Solutions (Holding) SAL:

	<i>LL million</i>
Carrying value of the pre-acquisition interest in Capital B. Solutions (Holding) SAL under equity method	692,931
Consideration paid	689,413
	<u>1,382,344</u>

Post-acquisition of Capital B. Solutions (Holding) SAL:

Fair value of net assets acquired	1,889,687
Net gain arising from acquisition of subsidiary (Note 10)	<u>507,343</u>

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25. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

	<i>Land</i> <i>LBP Million</i>	<i>Buildings and Freehold Improvements</i> <i>LBP Million</i>	<i>Leasehold Improvements</i> <i>LBP Million</i>	<i>Motor Vehicles</i> <i>LBP Million</i>	<i>Office Equipment and Computer Hardware</i> <i>LBP Million</i>	<i>Office Machinery and Furniture</i> <i>LBP Million</i>	<i>Right-of-use</i> <i>LBP Million</i>	<i>Other</i> <i>LBP Million</i>	<i>Total</i> <i>LBP Million</i>
Cost or revaluation:									
At 1 January 2024	4,914,692	13,669,751	113,164	2,722	269,883	128,239	154,823	99,433	19,352,707
Revaluation recognised in OCI	(145,581)	1,489,549	-	-	-	-	-	-	1,343,968
Additions	-	19,552	5,405	3,559	16,867	13,224	-	5,850	64,457
Disposals	-	(1)	-	-	(29,290)	(152)	(10,183)	-	(39,626)
Foreign exchange difference	-	3,624,904	276,326	12,091	586,463	200,602	629,890	443,653	5,773,929
At 31 December 2024	4,769,111	18,803,755	394,895	18,372	843,923	341,913	774,530	548,936	26,495,435
Depreciation:									
At 1 January 2024	-	212,795	101,809	2,566	253,256	108,498	67,197	82,221	828,342
Depreciation during the year	-	598,534	6,150	702	28,459	10,761	95,567	-	740,163
Transfers	-	3,788	-	-	-	(3,788)	-	-	-
Disposals	-	(1)	-	-	(29,258)	(138)	(10,183)	-	(39,580)
Foreign exchange difference	-	768,891	242,304	11,319	548,762	194,977	231,159	372,471	2,369,883
At 31 December 2024	-	1,584,007	350,263	14,587	801,219	310,310	383,730	454,692	3,898,808
Net book value:									
At 31 December 2024	4,769,111	17,219,748	44,632	3,785	42,704	31,603	390,800	94,244	22,596,627

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

25. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS (continued)

	Land LBP Million	Buildings and Freehold Improvements LBP Million	Leasehold Improvements LBP Million	Motor Vehicles LBP Million	Office Equipment and Computer Hardware LBP Million	Office Machinery and Furniture LBP Million	Right-of-use LBP Million	Other LBP Million	Total LBP Million
Cost or revaluation:									
At 1 January 2023	2,086,685	5,529,682	71,494	463	168,260	82,721	54,852	9,328	8,003,485
Revaluation recognised in OCI	2,828,007	7,515,865	-	-	-	-	-	-	10,343,872
Revaluation adjustments	-	(168,630)	-	-	-	-	-	-	(168,630)
Additions	-	70,196	253	-	11,735	10,853	3,966	-	97,003
Movements related to discontinued operations, net	-	3,929	69,432	-	102,394	26,352	159,220	-	361,327
Transfer to assets held for sale	-	(4,668)	(79,841)	-	(118,900)	(29,558)	(181,195)	-	(414,162)
Disposals	-	(2,697)	(24)	-	(80)	(454)	(1,456)	-	(4,711)
Foreign exchange difference	-	726,074	51,850	2,259	106,474	38,325	119,436	90,105	1,134,523
At 31 December 2023	4,914,692	13,669,751	113,164	2,722	269,883	128,239	154,823	99,433	19,352,707
Depreciation:									
At 1 January 2023	-	30,600	63,620	436	154,312	72,108	28,178	7,463	356,717
Revaluation adjustments	-	(168,630)	-	-	-	-	-	-	(168,630)
Depreciation during the year	-	215,868	732	99	7,771	2,727	15,759	1	242,957
Depreciation related to discontinued operations	-	106	12,709	-	19,313	132	57,427	-	89,687
Disposals	-	(2,548)	(24)	-	(101)	(384)	(442)	-	(3,499)
Movements related to discontinued operations, net	-	-	34,496	-	48,677	14,218	7,131	-	104,522
Transfer to assets held for sale	-	(1,043)	(54,614)	-	(78,120)	(16,773)	(72,925)	-	(223,475)
Foreign exchange difference	-	138,442	44,890	2,031	101,404	36,470	32,069	74,757	430,063
At 31 December 2023	-	212,795	101,809	2,566	253,256	108,498	67,197	82,221	828,342
Net book value:									
At 31 December 2023	4,914,692	13,456,956	11,355	156	16,627	19,741	87,626	17,212	18,524,365

Land and buildings with a carrying amount of LBP 18,126,489 million are subject to seizure and restriction on disposal (2023: LBP 17,317,297 million) (Note 56).

The Group has lease contracts for various items primarily comprising head offices and branches used in its operations. Leases of head offices and branches generally have lease terms between 1 and 30 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments.

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At 31 December 2024

25. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS (continued)

Revaluation of Land and Buildings

Fair value of the land and buildings and freehold improvements was determined using the market comparable method. The valuations have been performed by the valuer and are based on proprietary databases of prices of transactions for properties of similar nature, location and condition. As at the date of revaluation, the properties' fair values are based on valuations carried out by independent valuers accredited by the local regulators in the countries in which the properties are situated. Gain from level 3 revaluation of LBP 1,343,968 million in 2024 was recognised in other comprehensive income (2023: LBP 10,343,872 million).

Significant Unobservable Valuation Input

Description of valuation techniques used and key inputs to valuation of land and buildings:

Land:

		2024		2023	
Valuation Technique	Significant Unobservable Inputs	Weighted Average*	Fair Value LBP Million	Weighted Average*	Fair Value LBP Million
Lebanon	Market comparable method	Price per sqm	LBP 126 million 4,769,111	LBP 130 million	4,914,692

Buildings and freehold improvements:

		2024		2023	
Valuation Technique	Significant Unobservable Inputs	Weighted Average*	Fair Value LBP Million	Weighted Average*	Fair Value LBP Million
Lebanon	Market comparable method	Price per sqm	LBP 173 million 14,361,893	LBP 155 million	12,869,482
Switzerland	Market comparable method	Price per sqm	LBP 1,499 million 4,441,862	LBP 270 million	800,269

**Lebanon*

In accordance with the Central Bank of Lebanon's Intermediate Circular 659 issued on 20 January 2023, banks may revalue their properties in US Dollar and translate the revalued amount to LBP at the Sayrafa exchange rate at 31 December. The price above is based on the Sayrafa exchange rate of LBP 89,500 to the US Dollar (2023: LBP 89,500 to the US Dollar).

**Switzerland*

The above prices are based on the official exchange rate of LBP 89,500 to the US Dollar (2023: LBP 15,000 to the US Dollar).

Significant increase (decrease) in the estimated price per square meter in isolation would result in significantly higher (lower) fair value on a linear basis.

If land, buildings, and related improvements were measured using the cost model, the carrying amounts as of 31 December would have been as follows:

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At 31 December 2024

25. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS (continued)

Significant Unobservable Valuation Input (continued)

	<i>2024</i>	
	<i>Land LBP Million</i>	<i>Buildings and Freehold Improvements LBP Million</i>
Cost	64,666	3,843,876
Accumulated depreciation	-	(1,167,789)
Net book value	<u>64,666</u>	<u>2,676,087</u>
	<i>2023</i>	
	<i>Land LBP Million</i>	<i>Buildings and Freehold Improvements LBP Million</i>
Cost	64,666	1,068,195
Accumulated depreciation	-	(373,857)
Net book value	<u>64,666</u>	<u>694,338</u>

26. INTANGIBLE ASSETS

	<i>Computer Software LBP Million</i>	<i>Other LBP Million</i>	<i>Total LBP Million</i>
Cost:			
At 1 January 2024	376,881	-	376,881
Additions	232,272	-	232,272
Write offs	(6,499)	-	(6,499)
Foreign exchange difference	1,164,723	-	1,164,723
At 31 December 2024	<u>1,767,377</u>	<u>-</u>	<u>1,767,377</u>
Amortisation:			
At 1 January 2024	314,047	-	314,047
Amortisation during the year	114,347	-	114,347
Related to write offs	(6,232)	-	(6,232)
Foreign exchange difference	1,043,818	-	1,043,818
At 31 December 2024	<u>1,465,980</u>	<u>-</u>	<u>1,465,980</u>
Net book value:			
At 31 December 2024	<u>301,397</u>	<u>-</u>	<u>301,397</u>

Bank Audi sa

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

26. INTANGIBLE ASSETS (continued)

	<i>Computer Software LBP Million</i>	<i>Other LBP Million</i>	<i>Total LBP Million</i>
Cost:			
At 1 January 2023	189,237	29	189,266
Additions	21,816	-	21,816
Write offs	(18,279)	-	(18,279)
Movements related to discontinued operations, net	313,426	-	313,426
Transfer to assets held for sale	(343,863)	(29)	(343,892)
Foreign exchange difference	214,544	-	214,544
At 31 December 2023	376,881	-	376,881
Amortisation:			
At 1 January 2023	128,460	29	128,489
Amortisation during the year	20,627	-	20,627
Amortisation related to discontinued operations	58,906	-	58,906
Transfer to assets held for sale	(69,741)	(29)	(69,770)
Related to write offs	(16,721)	-	(16,721)
Foreign exchange difference	192,516	-	192,516
At 31 December 2023	314,047	-	314,047
Net book value:			
At 31 December 2023	62,834	-	62,834

27. ASSETS OBTAINED IN SETTLEMENT OF DEBT

The Group occasionally takes possession of assets in settlement of loans and advances. The Group is in the process of selling these assets. Gains or losses on disposal are recognised in the consolidated income statement for the year.

	<u>2024</u>			<u>2023</u>		
	<i>Financial Instruments LBP Million</i>	<i>Properties LBP Million</i>	<i>Total LBP Million</i>	<i>Financial Instruments LBP Million</i>	<i>Properties LBP Million</i>	<i>Total LBP Million</i>
Cost:						
At 1 January	1,813	103,040	104,853	1,813	167,972	169,785
Movements related to discontinued operations, net	-	-	-	-	355,521	355,521
Transfer to assets held for sale	-	-	-	-	(420,453)	(420,453)
At 31 December	1,813	103,040	104,853	1,813	103,040	104,853
Impairment:						
At 1 January	-	6,385	6,385	-	6,385	6,385
At 31 December	-	6,385	6,385	-	6,385	6,385
Net book value:						
At 31 December	1,813	96,655	98,468	1,813	96,655	98,468

The carrying value of assets in settlement of debts include LBP 98,468 million in Lebanon as at 31 December 2024 (2023: same) based on historical costs at the official exchange rate of LBP 1,507.5 to the US Dollar; these are subject to seizure and restriction on disposal (Note 56).

Bank Audit

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

28. OTHER ASSETS

	<i>2024</i> <i>LBP Million</i>	<i>2023</i> <i>LBP Million</i>
Prepaid charges	474,662	263,061
Tax regularisation account	273,581	39,450
Receivables related to non-banking operations	259,859	28,447
Electronic cards and regularisation accounts	187,535	34,191
Advances to staff	64,100	13,572
Interest and commissions receivable	44,376	2,987
Advances on acquisition of property and equipment	28,880	8,994
Management and advisory fees receivable	25,337	2,901
Fiscal stamps, bullions and commemorative coins	9,403	11,510
Advances on acquisition of intangible assets	4,364	6,499
Hospitalisation and medical care under collection	1,040	185
Funds' management fees	-	586
Other debtor accounts	4,612,900	740,314
	<u>5,986,037</u>	<u>1,152,697</u>

Other Debtor Accounts

Other debtor accounts as at 31 December 2024 include an amount of LBP 3,377,101 million related to check issued against lawsuits (2023: LBP 565,995 million).

29. GOODWILL

	<i>2024</i> <i>LBP Million</i>	<i>2023</i> <i>LBP Million</i>
Cost:		
At 1 January	654,797	200,209
Foreign exchange difference	2,251,320	454,588
At 31 December	<u>2,906,117</u>	<u>654,797</u>
Impairment:		
At 1 January	157,767	157,767
At 31 December	<u>157,767</u>	<u>157,767</u>
Net book value:		
At 31 December	<u>2,748,350</u>	<u>497,030</u>

Testing goodwill for impairment involves a significant amount of judgment. This includes the identification of independent CGUs and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition. The allocation is reviewed following business reorganisations. Cash flow projections necessarily take into account changes in the market in which a business operates including the level of growth, competitive activity, and the impacts of regulatory change. The Group performed its annual impairment test in December 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

29. GOODWILL (continued)

As at 31 December, the carrying amount of goodwill was allocated to the following CGU:

	<i>2024</i> <i>LBP Million</i>	<i>2023</i> <i>LBP Million</i>
Private Banking – Switzerland	2,748,350	497,030

This CGU does not carry on its statement of financial position any intangible assets with indefinite lives, other than goodwill.

Recoverable Amount

The Private Banking CGU in Switzerland is a separate legal entity offering Private Banking activities to its customers and is reported mainly under the Retail and Personal Banking business segment and the Europe geographical segment. The recoverable amount of this CGU was determined based on a value in use calculation using cash flow projections from financial budgets approved by Senior Management covering a five-year period, with a terminal growth rate of 2.00% (2023: 2.00%). The forecast cash flows were discounted at a pre-tax rate of 10.00% (2023: 10.00%). Based on these assumptions, the recoverable amount exceeds the carrying amount including goodwill by LBP 6,890,367 million (2023: LBP 900,861 million).

Key Assumptions Used in Value in Use Calculations and Sensitivity to Changes in Assumptions

The calculation of value in use for the Private Banking – Switzerland CGU is most sensitive to interest rate margins, cost of equity and the projected growth rates used to extrapolate cash flows beyond the budget period.

The cost of equity assigned to an individual CGU and used to discount its future cash flows can have a significant effect on its valuation. The cost of equity percentage is generally derived from an appropriate capital asset pricing model, which itself depends on inputs reflecting a number of financial and economic variables including the risk rate in the country concerned, and a premium to reflect the inherent risk of the business being evaluated. Projected terminal growth rates used are in line with, and do not exceed, the projected growth rates in GDP and inflation rate forecasts for the jurisdictional area where the operations reside.

Management performed a sensitivity analysis to assess the changes to key assumptions that could cause the carrying value of the units to exceed their recoverable amount. These are summarised in the table below which shows the details of the sensitivity of the above measures on the Group's CGU's value in use (VIU):

Private Banking – Switzerland

Interest margins	Interest margins are based on current fixed interest yields.	A decrease of 0.10% causes a decrease in the value in use by 0.17% (LBP 51,697 million) (2023: 0.16% (LBP 8,136 million)).
Cost of equity	The cost of equity is the return required for an investment to meet capital return requirements; it is often used as a capital budgeting threshold for required rate of return.	A decrease of 0.25% causes an increase in the value in use by 1.94% (LBP 607,247 million) (2023: 1.54% (LBP 77,642 million)).
Growth rate	Growth rate is the percentage change of the compounded annualised rate of growth of revenues, earnings, dividends and even including macro concepts such as GDP and the economy as a whole.	A decrease of 0.5% causes a decrease in the value in use by 2.59% (LBP 809,932 million) (2023: 1.97% (LBP 99,197 million)).

The following table presents the sensitivity of each input by showing the change required to individual current assumptions to reduce headroom to nil (breakeven) for the Private Banking CGU in Switzerland:

	<i>2024</i>	<i>2023</i>
Interest margin	(13.33%)	(11.08%)
Cost of equity	13.98%	14.94%
Growth rate	(6.89%)	(6.66%)

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At 31 December 2024

30. DUE TO CENTRAL BANKS

	2024 <i>LBP Million</i>	2023 <i>LBP Million</i>
<i>Central Bank of Lebanon</i>		
Subsidised loans	823,476	538,561
Term borrowings under leverage arrangements	1,979,141	1,979,141
Accrued interest	10,441	10,080
<i>Other central banks</i>		
Other borrowings	10,810	1,429
	<u>2,823,868</u>	<u>2,529,211</u>

Subsidised Loans

As at 31 December 2024, subsidised loans consist of utilised amounts on facilities granted by the Central Bank of Lebanon for the purpose of lending to customers at subsidised rates in accordance with Decision No. 6116 dated 7 March 1996. Principals are repayable on monthly basis and based on the amounts withdrawn by the customers (2023: the same).

Term Borrowings under Leverage Arrangements

As at 31 December 2024, leverage arrangements with the Central Bank of Lebanon represent term borrowings denominated in LBP, bearing a 2% interest rate per annum and having maturities ranging between 2027 and 2028, fully invested in Lebanese Treasury bills earning coupon rates of 7.46%.

As at 31 December 2023, leverage arrangements with the Central Bank of Lebanon represent term borrowings denominated in LBP, bearing a 2% interest rate per annum and having maturities ranging between 2024 and 2031, fully invested in Lebanese Treasury bills, certificates of deposit with the Central Bank of Lebanon in LBP, and blocked term placements with the Central Bank of Lebanon in LBP earning coupon rates ranging between 6.5% per annum and 10.5%. Simultaneously, the Bank has either deposited term placements with the Central Bank of Lebanon in foreign currencies at 6.5% per annum and in LBP at 10.5% per annum (originated from the sale of foreign currencies to the Central Bank of Lebanon) carrying the same maturities; or purchased Lebanese government Eurobonds from the Central Bank of Lebanon. During 2019, the Bank and the Central Bank of Lebanon signed a netting agreement covering only leverage arrangements that were invested in blocked term placement and pledged certificates of deposit with the Central Bank of Lebanon in LBP. This agreement qualifies for netting under the requirements of IAS 32.

The below table summarises the leverage arrangements and related financial assets subject to offsetting, and enforceable similar agreements, and whether offset is achieved in the statement of financial position. The table identifies the amounts that have been offset in the statement of financial position and also those amounts that are covered by enforceable netting arrangements (financial collateral) but do not qualify for netting under the requirements of IAS 32 described in the accounting policies:

	2024 <i>LBP Million</i>	2023 <i>LBP Million</i>
Leverage arrangements		
Gross amounts	1,979,141	9,443,806
Amounts offset against ¹		
Placements with the Central Bank of Lebanon (Note 16)	-	4,826,665
Certificates of deposit with the Central Bank of Lebanon (Note 22)	-	2,638,000
Net amounts reported on the statement of financial position	<u>1,979,141</u>	<u>1,979,141</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

30. DUE TO CENTRAL BANKS (continued)

Financial collateral

Lebanese Treasury bills (Note 22)	1,979,141	1,979,141
	<u>1,979,141</u>	<u>1,979,141</u>

¹ Represents amounts that can be offset under IAS 32. Placements with the Central Bank of Lebanon and certificates of deposit with the Central Bank of Lebanon have also been reported on the statement of financial position net of the amounts above.

As at 31 December 2024, financial assets and financial liabilities that were settled on a net basis amounted to LBP 11,892,889 million (2023: LBP 4,428,224 million) (Notes 16 and 22).

31. DUE TO BANKS AND FINANCIAL INSTITUTIONS

	<i>2024</i> <i>LBP Million</i>	<i>2023</i> <i>LBP Million</i>
Current accounts	16,801,605	1,513,085
Term loans	6,734,952	1,311,364
Time deposits	2,322	2,298
Accrued interest	48	12
	<u>23,538,927</u>	<u>2,826,759</u>

Included in term loans above an amount of LBP 6,734,952 million (2023: LBP 1,311,364 million) representing loans granted from various supranational entities for the purpose of financing small and medium-size enterprises in the private sector, with annual interest rates at 0.00% (2023: the same).

During 2021, in light of the social, economic and banking sector conditions in Lebanon and the impending government reform program, certain lenders have agreed on a voluntary basis and at the request of the Bank, to amend certain terms of their loan agreements, amongst others, the repayment schedule and the maturity date. Remaining balance of these loans amounted to LBP 6,734,952 million as at 31 December 2024 (2023: LBP 1,311,364 million).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

32. CUSTOMERS' DEPOSITS

	<i>2024</i>			
	<i>Corporate and SME LBP Million</i>	<i>Retail and Personal Banking LBP Million</i>	<i>Public Sector LBP Million</i>	<i>Total LBP Million</i>
Sight deposits	70,628,739	604,112,659	1,229,074	675,970,472
Time deposits	26,012,505	389,934,407	2,633,594	418,580,506
Margins on LC's and LG's	11,904,273	298,378	-	12,202,651
Other margins	63	-	-	63
Other deposits	7,663	954,904	-	962,567
	<u>108,553,243</u>	<u>995,300,348</u>	<u>3,862,668</u>	<u>1,107,716,259</u>
Deposits pledged as collateral				<u>52,699,484</u>
				<u>52,699,484</u>
	<i>2023</i>			
	<i>Corporate and SME LBP Million</i>	<i>Retail and Personal Banking LBP Million</i>	<i>Public Sector LBP Million</i>	<i>Total LBP Million</i>
Sight deposits	14,245,892	99,543,713	263,699	114,053,304
Time deposits	4,305,007	70,631,536	931,291	75,867,834
Margins on LC's and LG's	536,733	70,140	-	606,873
Other margins	5,840	-	-	5,840
Other deposits	9,016	222,754	-	231,770
	<u>19,102,488</u>	<u>170,468,143</u>	<u>1,194,990</u>	<u>190,765,621</u>
Deposits pledged as collateral				<u>6,955,767</u>
				<u>6,955,767</u>

Sight deposits include balances of bullion amounting to LBP 1,365,821 million as at 31 December 2023 which were carried at fair value through profit or loss.

Credit linked deposits are deposits whereby the principal is settled at maturity according to the full discretion of the Group either in cash or in Lebanese government Eurobonds. In agreement with such depositors, the Bank settled deposits amounting to USD 300 million in certificates of deposits with the Central Bank of Lebanon denominated in US Dollar and having the same nominal amount as at 31 December 2024 (2023: the same) (Note 22). Remaining credit linked deposits amounted to USD 10 million as at 31 December 2024 (2023 the same).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

33. DEPOSITS FROM RELATED PARTIES

	<i>2024</i>		
	<i>Corporate and SME LBP Million</i>	<i>Retail and Personal Banking LBP Million</i>	<i>Total LBP Million</i>
Sight deposits	337,443	1,973,686	2,311,129
Time deposits	30,839	1,092,016	1,122,855
Other deposits and margin accounts	90,399	12,947	103,346
	<u>458,681</u>	<u>3,078,649</u>	<u>3,537,330</u>
Deposits pledged as collateral			<u>269,318</u>
			<u>269,318</u>
	<i>2023</i>		
	<i>Corporate and SME LBP Million</i>	<i>Retail and Personal Banking LBP Million</i>	<i>Total LBP Million</i>
Sight deposits	375,744	246,423	622,167
Time deposits	5,983	671,656	677,639
Other deposits and margin accounts	15,419	4,331	19,750
	<u>397,146</u>	<u>922,410</u>	<u>1,319,556</u>
Deposits pledged as collateral			<u>552,709</u>
			<u>552,709</u>

34. DEBT ISSUED AND OTHER BORROWED FUNDS

	<i>2024 LBP Million</i>	<i>2023 LBP Million</i>
USD 116,560,000 due 19 April 2027 – 5.00%	10,428,472	1,736,160
USD 112,500,000 due 11 April 2024 – 6.55% + Telerate 6m	10,068,750	1,687,500
USD 37,500,000 due 11 April 2024 – 6.55% + Telerate 6m	3,356,250	562,500
Accrued interests	99,746	76,970
	<u>23,953,218</u>	<u>4,063,130</u>
	<u>23,953,218</u>	<u>4,063,130</u>

The principal of the loans is to be repaid at maturity. Any principal amount of the loans prepaid may not be re-borrowed. Prepayment on the loans is applicable as follows:

USD 346,730,000 Due 16 October 2023 – 6.75%

In September 2013, the Group issued USD 350 million of subordinated unsecured bonds. The repayment date for the bonds was 16 October 2023, subject to early redemption or acceleration. The bonds carried an annual interest rate of 6.75% payable on a quarterly basis. During 2019, the Group acquired notes with a notional amount of USD 3.3 million for a total consideration of USD 2.6 million, leaving an outstanding sub debt amount of approximately USD 347 million.

In its meeting held on 12 February 2021, the Ordinary General Assembly, pursuant to a recommendation of the Board of Directors, resolved to proceed with the issuance of new unsecured subordinated notes under Lebanese law, the 2022 subordinated notes, to be subscribed to, through the voluntary exchange of the existing subordinated notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

34. DEBT ISSUED AND OTHER BORROWED FUNDS (continued)**USD 346,730,000 Due 16 October 2023 – 6.75% (continued)**

On 21 October 2021, the Bank announced an invitation to holders of subordinated notes to exchange all of their existing notes for (i) an equivalent principal amount of new notes; and (ii) a cash amount (as defined below) upon the terms and subject to the conditions set forth in the exchange offer memorandum. Existing holders who do not submit an exchange instruction prior to the settlement deadline will have their existing notes cancelled in exchange for the issue of new notes. The noteholder meeting, set to be held on 2 December 2021, was not quorate and was hence adjourned to 20 January 2022. The latter meeting was also not quorate and was further adjourned to 28 February 2022, date at which the necessary quorum was reached (with 68.08% of the aggregate principal amount of the outstanding existing notes then outstanding being represented) and the resolution was duly passed (with 92.98% of the votes being cast in favour of the resolution).

On 15 July 2021, the Bank received the Central Bank of Lebanon's approval for the exchange offer. On 28 March 2022, the Bank received a letter from the Central Bank of Lebanon with the amended approval, passed by a decision of the Central Council of the Central Bank of Lebanon on 23 March 2022, to include certain items, including the inclusion of the put option, in the terms and conditions of the new notes.

On 30 March 2022, the Bank and the Trustee entered into the Supplemental Trust Deed in order to give effect to the resolution.

On 19 April 2022, the Bank proceeded with the exchange of all of the existing notes, with the new issued notes and the settlement of the exchange offer. The terms and conditions of the new notes are summarised below.

USD 116,560,000 Due 19 April 2027 – 5.00%

	<i>2024</i> <i>LBP Million</i>	<i>2023</i> <i>LBP Million</i>
Nominal value	10,432,120	1,748,400
Upfront interest	(3,648)	(12,240)
	<u>10,428,472</u>	<u>1,736,160</u>

Notes issued on 19 April 2022 in exchange of previous notes issued in September 2013. The terms and conditions for the notes are as follows.

- Maturity date: 19 April 2027.
- Upfront interest payment of 10% payable on 19 April 2022, subject to 10% withholding tax.
- Interest payment of 5% p.a., subject to 10% withholding tax, which will start to accrue on 19 April 2022 and will be payable quarterly in arrears.
- Put option at the discretion of the noteholder who may choose to redeem the note at 90.5% of principal amount. The settlement date of the put option is 19 May 2022.
- In connection to the exchange, a cash amount of USD 118.6875 per 1,000 in principal amount is payable, grossed up, on 19 April 2022.
- These notes are not eligible for integration in Tier 2 in the calculation of the capital adequacy ratio.
- Starting the first anniversary of the issue on 19 April 2023 and after giving a redemption notice, the Bank has the option to redeem in whole but not in part the Notes, including accrued and unpaid interest, noting that the principal amount will be redeemed at 92% of face value. If early redemption is not exercised by the Bank, the redemption percentage will increase thereafter incrementally by 2% at each anniversary date.

On 11 May 2022, the General Assembly resolved to approve: (i) granting of a put option in favour of the holders of the 2022 subordinated notes issued on 19 April 2022 pursuant to the resolution of the Ordinary General Assembly meeting held on 12 February 2021, and (ii) all other terms of the 2022 subordinated notes, as per the Board of Directors' proposal and recommendations.

As at 19 May 2022, holders of notes representing approximately USD 230 million had exercised the put option out of USD 347 million outstanding (66% of the total).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

34. DEBT ISSUED AND OTHER BORROWED FUNDS (continued)

USD 112,500,000 Due 11 April 2024 – 6.55% + Telerate 6m and USD 37,500,000 Due 11 April 2024 – 6.55% + Telerate 6m

The principal amount of the loan (and any interest accrued but unpaid) will rank (i) junior in right of payment to the claims of the holders of unsecured and unsubordinated payment obligations of the Bank; (ii) paripassu with the claims of holders of all other subordinated indebtedness of the Bank and (iii) in priority to the claims of shareholders of the Bank, including in respect of cash contributions to capital. Following satisfaction of unsubordinated claims as aforesaid, the lender shall be entitled to receive and to retain any payment or distribution in respect of the loan and all other amounts outstanding on a paripassu basis with other subordinated indebtedness.

If on a particular interest payment date, the Group does not have free profits available to pay the full amount of accrued and unpaid interest then due in respect of the loan, the Group's obligation to pay such interest shall be deferred and become due and payable on the next interest payment date, to the extent of free profits then available, and if not then available, such deferral shall continue until the interest payment date when all interests have been paid in full on final maturity date.

The Group determined that the matters disclosed in Note 1 will have an impact on the retained earnings and reserves leading to a need for recapitalisation, the amount of which has not been determined yet due to the high level of uncertainty of resulting from these matters. This matter is under objection by the lender. However, the Group believes it is in a strong position. As at 31 December 2024, deferred interest payable amounted to LBP 5,432,271 million and was recorded under "Other liabilities" (2023: LBP 772,275 million) (Note 35).

The Group shall, on any interest payment date or not less than 30 days' prior written notice, have the right to prepay the entire outstanding principal amount of the loan, in whole but not in part, together with accrued but unpaid interest thereon, and all other amounts payable, and subject to the approval of the Central Bank of Lebanon:

- In the event of a change in Lebanese law or regulation resulting in an increase in the withholding tax rate applicable to payments of interest on the loans to more than 5.00% above the rate in effect on the date of the disbursement. No penalty or premium shall be payable in connection with any prepayment following changes in taxation; or
- Subject to the payment of a premium of 2.00% of the outstanding principal amount of the loans to be prepaid, at the option of the Group, on any interest payment date at any time after the fifth anniversary of the date on which the loan is disbursed.

Finally, given the delays in issuing the needed banking restructuring law as one of the measures in dealing with the existing and persisting crisis in Lebanon, and the fact this subordinated debt matured on 11 April 2024, the Group communicated with the Central Bank of Lebanon the urgency in determining how to handle maturing subordinated debt. On 15 April 2024 the Central Bank of Lebanon communicated to the Group that the Central Council of the Central Bank of Lebanon finds not permissible any payment on the subordinated debt before a banking restructuring law is issued, which is being challenged by the lender. Despite the directive of the Central Council of the Central Bank, the lender went ahead and filed a law suit against the Group on 2 August 2024. The Group filed its defense on the matter on 27 September 2024. A full settlement agreement was signed and executed subsequent to the balance sheet date. The approval of the Central Bank of Lebanon on the settlement agreement was obtained on 14 March 2025.

Cash and Non-cash Changes in Debt Issued and Other Borrowed Funds

Changes in debt issued and other borrowed funds during the year were as follows:

	2024	2023
	<i>LBP Million</i>	<i>LBP Million</i>
Balance at 1 January	4,063,130	823,443
Interest expense	996,445	332,266
Result related to discontinued operations	-	377,523
Paid during the year	(525,053)	(328,787)
Movements related to assets held for sale	-	3,473,170
Transfer to assets held for sale	-	(4,280,670)
Foreign exchange	19,418,696	3,666,185
Balance at 31 December	<u>23,953,218</u>	<u>4,063,130</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

35. OTHER LIABILITIES

	<i>2024</i> <i>LBP Million</i>	<i>2023</i> <i>LBP Million</i>
Deferred interest payable (Note 34)	5,432,271	772,275
Accrued expenses	2,058,416	426,652
Operational taxes	563,971	227,713
Lease liabilities	454,495	102,371
Electronic cards and regularisation accounts	284,517	50,691
Social security dues	109,805	25,686
Employee accrued benefits	108,367	23,517
Miscellaneous suppliers and other payables	43,384	8,606
Bankers' drafts	6,265,233	3,410,558
Other credit balances	2,986,921	764,516
	18,307,380	5,812,585

Bankers' drafts as at 31 December 2024 and 2023 consist of checks paid to depositors that have not yet been withdrawn from the Central Bank of Lebanon or other Lebanese banks.

Set out below are the carrying amounts of lease liabilities and the movements during the year ended 31 December:

	<i>2024</i> <i>LBP Million</i>	<i>2023</i> <i>LBP Million</i>
Balance at 1 January	102,371	25,697
Additions	-	52,758
Termination	-	(21,871)
Interest expense	8,508	1,502
Result related to discontinued operations	-	29,592
Paid during the year	(132,104)	(19,115)
Paid related to discontinued operations	-	(57,427)
Transfer to assets held for sale	-	(83,083)
Foreign exchange	475,720	174,318
Balance at 31 December	454,495	102,371

36. PROVISIONS FOR RISKS AND CHARGES

	<i>2024</i> <i>LBP Million</i>	<i>2023</i> <i>LBP Million</i>
Provisions for risks and charges (a)	35,073,921	3,062,816
Provisions for ECL on financial guarantees and commitments (Note 52)	283,457	40,268
End-of-service benefits (b)	3,709,961	1,415,957
	39,067,339	4,519,041

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

36. PROVISIONS FOR RISKS AND CHARGES (continued)

a) Provisions for risks and charges

	2024 <i>LBP Million</i>	2023 <i>LBP Million</i>
Provision for legal claims	296,198	55,237
Other provisions	34,777,723	3,007,579
	<u>35,073,921</u>	<u>3,062,816</u>
	<u>2024</u> <i>LBP Million</i>	<u>2023</u> <i>LBP Million</i>
Balance at 1 January	3,062,816	279,340
Add:		
Charge reflected under operating expenses (Note 13)	23,975,043	2,556,577
Less:		
Paid during the year	(637,819)	(118,637)
Net provisions recoveries (Note 10)	(4,166)	(9)
Movements related to discontinued operations, net	-	326,025
Write off	-	(5,173)
Result related to discontinued operations	-	(51,886)
Transfer to assets held for sale	-	(344,378)
Foreign exchange difference	8,678,047	420,957
Balance at 31 December	<u>35,073,921</u>	<u>3,062,816</u>

b) End-of-service Benefits

Entities operating in Lebanon have two defined benefit plans covering all their employees. The first requires contributions to be made to the National Social Security Fund whereby the entitlement to and level of these benefits depend on the employees' length of service, as well as on the employees' salaries and contributions paid to the fund among other requirements. Under the second plan, no contributions are required to be made, however a fixed end-of-service lump sum amount should be paid for long service employees. The entitlement to and level of these end-of-service benefits provided depend on the employees' length of service, salaries and other requirements outlined in the Workers' Collective Agreement. The first plan described above also applies to non-banking entities operating in Lebanon. Defined benefit plans for employees at foreign subsidiaries and branches are set in line with the laws and regulations of the respective countries in which these subsidiaries are located.

The movement of provision for staff retirement benefit obligations is as follows:

	2024		
	<i>Lebanon</i> <i>LBP Million</i>	<i>Foreign</i> <i>Countries</i> <i>LBP Million</i>	<i>Total</i> <i>LBP Million</i>
Balance at 1 January	1,236,131	179,826	1,415,957
Charge for the year (Note 12)	199,232	164,945	364,177
Paid during the year	(318,488)	(187,898)	(506,386)
Actuarial gain on obligation – experience	1,197,587	(10,675)	1,186,912
Actuarial loss on obligation – economic assumptions	163,225	(8,427)	154,798
Actuarial loss on obligation – demographic assumptions	23,238	269,609	292,847
Provision no more required (Note 10)	(14,694)	-	(14,694)
Foreign exchange difference	-	816,350	816,350
Balance at 31 December	<u>2,486,231</u>	<u>1,223,730</u>	<u>3,709,961</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

36. PROVISIONS FOR RISKS AND CHARGES (continued)

b) End-of-service Benefits (continued)

	2023		
	Lebanon LBP Million	Foreign Countries LBP Million	Total LBP Million
Balance at 1 January	207,292	17,380	224,672
Charge for the year (Note 12)	350,084	33,182	383,266
Results related to discontinued operations	-	12,226	12,226
Paid during the year	(14,029)	(38,013)	(52,042)
Actuarial gain on obligation – experience	583,835	5,276	589,111
Actuarial loss on obligation – economic assumptions	108,949	55,138	164,087
Movement related to discontinued operations, net	-	35,805	35,805
Provision no more required (Note 10)	-	(837)	(837)
Transfer to assets held for sale	-	(53,943)	(53,943)
Foreign exchange difference	-	113,612	113,612
Balance at 31 December	1,236,131	179,826	1,415,957

The charge for the year is broken down as follows:

	2024 LBP Million	2023 LBP Million
Current service cost	229,808	367,676
Interest on obligation	134,369	15,590
	364,177	383,266

The key assumptions used in the calculation of retirement benefit obligation are as follows:

	Lebanon		Switzerland	
	2024	2023	2024	2023
Economic assumptions				
Discount rate (p.a.)	14.00%	14.00%	0.95%	1.40%
Inflation rate (p.a.)	None	None	1.10%	1.25%
Salary increase (p.a.)				
Coming year:				
Employees	5.00%	50.00%	1.35%	1.50%
Senior Managers	5.00%	50.00%	1.35%	1.50%
Thereafter:				
Employees	None	None	1.35%	1.50%
Senior Managers	None	None	1.35%	1.50%
Expected annual rate of return on				
NSSF contributions	3.00%	3.00%	None	None
Expected future pension increases	None	None	1.35%	1.50%
Interest crediting rate	None	None	None	None
Treatment of bonus	None	None	None	None
Demographic assumptions				
Retirement age	Earliest of age 64 or completion of 20 contribution years	Earliest of age 64 or completion of 20 contribution years	Age 65 for men and 64 for women	Age 65 for men and 64 for women
Pre-termination mortality	None	None	BVG 2020 + 1.5%	BVG 2020 + 1.5%
Pre-termination turnover rates (age related with average of)	3.50% – 25.00%	3.50% – 7.50%	4.20% – 25.20%	4.20% – 25.20%

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36. PROVISIONS FOR RISKS AND CHARGES (continued)

b) End-of-service Benefits (continued)

A quantitative sensitivity analysis for significant assumptions is shown as below:

	<u>Discount Rate</u>		<u>Future Salary Increase</u>		<u>Cost of living Adjustment*</u>	
	<u>% Increase</u>	<u>% Decrease</u>	<u>% Increase</u>	<u>% Decrease</u>	<u>50 %</u>	<u>100 %</u>
	<u>LBP Million</u>	<u>LBP Million</u>	<u>LBP Million</u>	<u>LBP Million</u>	<u>Increase</u>	<u>Increase</u>
Impact on net defined benefit obligation – 2024	(153,131)	175,288	2,985	(2,924)	-	-
Impact on net defined benefit obligation – 2023	(16,518)	16,943	11,859	(11,629)	338,863	677,726

* For Lebanon only.

Except for the cost of living adjustments, the sensitivity analysis above was determined based on a method that extrapolates the impact on the defined benefit obligation as a result of 25 basis point changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

37. SHARE CAPITAL AND ISSUE PREMIUM

Share Capital

The share capital of Bank Audi sal as at 31 December is as follows:

	<u>2024</u>			<u>2023</u>		
	<u>Number of Shares</u>	<u>Share Capital LBP Million</u>	<u>Issue Premium LBP Million</u>	<u>Number of Shares</u>	<u>Share Capital LBP Million</u>	<u>Issue Premium LBP Million</u>
Common shares	588,538,215	982,859	902,290	588,538,215	982,859	902,290
Preferred shares series "H"	750,000	1,252	111,811	750,000	1,252	111,811
Preferred shares series "I"	2,500,000	4,175	372,700	2,500,000	4,175	372,700
Preferred shares series "J"	2,750,000	4,593	409,969	2,750,000	4,593	409,969
	<u>6,000,000</u>	<u>10,020</u>	<u>894,480</u>	<u>6,000,000</u>	<u>10,020</u>	<u>894,480</u>
	<u>594,538,215</u>	<u>992,879</u>	<u>1,796,770</u>	<u>594,538,215</u>	<u>992,879</u>	<u>1,796,770</u>

Listing of Shares

	<u>2024</u>		<u>2023</u>	
	<u>Stock Exchange</u>	<u>Number of Shares</u>	<u>Stock Exchange</u>	<u>Number of Shares</u>
Ordinary shares	Beirut	468,898,454	Beirut	468,898,454
Global depository receipts	Beirut	119,639,761	Beirut	119,639,761
Preferred shares	Beirut	6,000,000	Beirut	6,000,000
		<u>594,538,215</u>		<u>594,538,215</u>

The Board of Directors has approved the delisting of the global depository receipts from the London SEAQ on 29 July 2020. The delisting became effective on 6 November 2020.

37. SHARE CAPITAL AND ISSUE PREMIUM (continued)

Preferred shares

1. Pursuant to the resolution of the Extraordinary General Assembly of shareholders held on 15 April 2013, the Bank issued series "H" preferred shares under the following terms:

Preferred shares series "H"

- Number of shares: 750,000.
- Share's issue price: USD 100.
- Share's nominal value: LBP 1,299 (later became LBP 1,670 upon increasing the nominal value).
- Issue premium: Calculated in USD as the difference between USD 100 and the counter value of the par value per share based on the exchange rate at the underwriting dates.
- Benefits: Annual non-cumulative dividends of USD 4.5 per share for the year 2013, and USD 6.5 for each subsequent year.
- Repurchase right: The Bank has the right to repurchase the shares in 7 years after issuance, as well as to call them off by that date.

The Extraordinary General Assembly of shareholders held on 21 June 2013 validated and ratified the capital increases according to the aforementioned terms for preferred shares series "H".

2. Pursuant to the resolution of the Extraordinary General Assembly of shareholders held on 29 November 2016, the Bank issued preferred shares series "I" under the following terms:

Preferred shares series "I"

- Number of shares: 2,500,000.
- Share's issue price: USD 100.
- Share's nominal value: LBP 1,656 (later became LBP 1,670 upon increasing the nominal value).
- Issue premium: Calculated in USD as the difference between USD 100 and the countervalue of the par value per share based on the exchange rate at the underwriting dates.
- Benefits: Annual non-cumulative dividends of USD 3 per share for the year 2016, and USD 7 for each subsequent year.
- Repurchase right: The Bank has the right to repurchase the shares in 5 years after issuance, as well as to call them off by that date.
- Conversion: Mandatorily convertible into 15 common shares in case: 1) Common Equity Tier 1 to risk-weighted assets falls below 66.25% of minimum required by the Central Bank of Lebanon; or 2) the Bank is deemed non-viable by the Central Bank of Lebanon without such a conversion.

The Extraordinary General Assembly of shareholders held on 21 December 2016 validated and ratified the capital increase according to the aforementioned terms.

3. Pursuant to the resolution of the Extraordinary General Assembly of shareholders held on 21 July 2017, the Bank issued preferred shares series "J" under the following terms:

Preferred shares series "J"

- Number of shares: 2,750,000.
- Share's issue price: USD 100.
- Share's nominal value: LBP 1,663 (later became LBP 1,670 upon increasing the nominal value).
- Issue premium: Calculated in USD as the difference between USD 100 and the counter value of the par value per share based on the exchange rate at the underwriting dates.
- Benefits: Annual non-cumulative dividends of USD 4 per share for the year 2017, and USD 7 for each subsequent year.
- Repurchase right: The Bank has the right to repurchase the shares in 5 years after issuance, as well as to call them off by that date.
- Conversion: Mandatorily convertible into 15 common shares in case: 1) Common Equity Tier 1 to risk-weighted assets falls below 66.25% of minimum required by the Central Bank of Lebanon; or 2) the Bank is deemed non-viable by the Central Bank of Lebanon without such a conversion.

The Extraordinary General Assembly of shareholders held on 27 October 2017 validated and ratified the capital increase according to the aforementioned terms.

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37. SHARE CAPITAL AND ISSUE PREMIUM (continued)**Paid Dividends**

In accordance with Central Bank of Lebanon Intermediate Circular 567, 616, 659, 676 and 726 no dividends were distributed from 2019, 2020, 2021, 2022 and 2023 profits.

38. CASH CONTRIBUTION TO CAPITAL

In previous years, agreements were entered between the Bank and its shareholders whereby the shareholders granted cash contributions to the Bank amounting to USD 48,150,000 (equivalent to LBP 72,586 million) subject to the following conditions:

- These contributions will remain as long as the Bank performs banking activities.
- If the Bank incurs losses and has to reconstitute its capital, these contributions may be used to cover the losses if needed.
- The shareholders have the right to use these contributions to settle their share in any increase of capital.
- No interest is due on the above contributions.
- The above cash contributions are considered as part of Tier 1 capital for the purpose of determining the Bank's capital adequacy ratio.
- The right to these cash contributions is for the present and future shareholders of the Bank.

39. NON-DISTRIBUTABLE RESERVES

	<i>Legal Reserve</i>	<i>Reserves Appropriated for Capital Increase</i>	<i>Gain on Sale of Treasury Shares</i>	<i>Reserve for General Banking Risks</i>	<i>Unrealised Gain on Fair Value through Profit or Loss</i>	<i>Reserve for Foreclosed Assets</i>	<i>Other Reserves</i>	<i>Total</i>
	<i>LBP Million</i>	<i>LBP Million</i>	<i>LBP Million</i>	<i>LBP Million</i>	<i>LBP Million</i>	<i>LBP Million</i>	<i>LBP Million</i>	<i>LBP Million</i>
Balance at 1 January 2024	639,935	39,955	6,640	18,327	14,835	11,406	1,804,256	2,535,354
Appropriation of 2023 profits	53,021	-	-	-	-	-	-	53,021
Balance at 31 December 2024	<u>692,956</u>	<u>39,955</u>	<u>6,640</u>	<u>18,327</u>	<u>14,835</u>	<u>11,406</u>	<u>1,804,256</u>	<u>2,588,375</u>
	<i>Legal Reserve</i>	<i>Reserves Appropriated for Capital Increase</i>	<i>Gain on Sale of Treasury Shares</i>	<i>Reserve for General Banking Risks</i>	<i>Unrealised Gain on Fair Value through Profit or Loss</i>	<i>Reserve for Foreclosed Assets</i>	<i>Other Reserves</i>	<i>Total</i>
	<i>LBP Million</i>	<i>LBP Million</i>	<i>LBP Million</i>	<i>LBP Million</i>	<i>LBP Million</i>	<i>LBP Million</i>	<i>LBP Million</i>	<i>LBP Million</i>
Balance at 1 January 2023	633,836	39,955	6,640	18,327	14,835	11,406	1,804,256	2,529,255
Appropriation of 2022 profits	6,099	-	-	-	-	-	-	6,099
Balance at 31 December 2023	<u>639,935</u>	<u>39,955</u>	<u>6,640</u>	<u>18,327</u>	<u>14,835</u>	<u>11,406</u>	<u>1,804,256</u>	<u>2,535,354</u>

Legal Reserve

The Lebanese Commercial Law and the Bank's articles of association stipulate that 10% of the net annual profits be transferred to legal reserve. In addition, subsidiaries and branches are also subject to legal reserve requirements based on the rules and regulations of the countries in which they operate. This reserve is not available for dividend distribution.

The Group transferred to legal reserve an amount of LBP 53,021 million (2023: LBP 6,099 million) as required by the laws applicable in the countries in which they operate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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39. NON-DISTRIBUTABLE RESERVES (continued)**Reserves Appropriated for Capital Increase**

This amount represents the net gain on the disposal of fixed assets acquired in settlement of debt, in addition to reserves on recovered provisions for doubtful loans and debts previously written off, whenever recoveries exceed booked allowances.

Gain on Sale of Treasury Shares

These gains arise from the Global Depository Receipts (GDRs) owned by the Group. Based on the applicable regulations, the Group does not have the right to distribute these gains.

Other Reserves

According to the Central Bank of Lebanon's Main Circular 143, banks in Lebanon are required to transfer to other reserves the balance of reserves for general banking risks and general reserves for loans and advances (totalling LBP 889,720 million) previously appropriated in line with the requirements of Decision 7129 and Decision 7776 respectively. In accordance with the resolution of the Bank's General Assembly held on 30 June 2022 and Central Bank of Lebanon's letter dated 27 January 2022, an amount of LBP 479,263 million was transferred from distributable reserves (for the gain from sale of subsidiaries) and an amount of LBP 165,414 million was transferred from retained earnings (for dividends distributed by foreign subsidiaries). This reserve is part of the Group's equity and is not available for distribution.

Reserve for Unrealised Revaluation Gains on Financial Assets at Fair Value through Profit or Loss

As per the Banking Control Commission's Circular 296 dated 4 June 2018, banks operating in Lebanon are required to appropriate in a special reserve from their annual net profits the value of gross unrealised profits on financial assets at fair value through profit or loss. This reserve is not available for dividend distribution until such profits are realised and released to general reserves.

Reserve for Foreclosed Assets

The reserve for foreclosed assets represents appropriation against assets acquired in settlement of debt in accordance with the circulars of the Lebanese Banking Control Commission. Appropriations against assets acquired in settlement of debt shall be transferred to unrestricted reserves upon the disposal of the related assets.

40. DISTRIBUTABLE RESERVES

	<i>General Reserves LBP Million</i>	<i>Cost of Capital Issued LBP Million</i>	<i>Total LBP Million</i>
Balance at 1 January 2024 and 31 December 2024	43,453	(7,458)	35,995
	<i>General Reserves LBP Million</i>	<i>Cost of Capital Issued LBP Million</i>	<i>Total LBP Million</i>
Balance at 1 January 2023 and 31 December 2023	43,453	(7,458)	35,995

41. PROPOSED DIVIDENDS

In accordance with Central Bank of Lebanon Intermediate Circulars 567, 616, 659, 676 and 726 the Board of Directors does not propose the payment of dividends for the years 2024, 2023, 2022 and 2021.

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At 31 December 2024

43. OTHER COMPONENTS OF EQUITY (continued)

Cumulative Changes in Fair Value

The cumulative changes as at 31 December represent the fair value differences from the revaluation of financial assets measured at fair value through other comprehensive income. The movement during the year can be summarised as follows:

	<i>Change in Fair Value LBP Million</i>	<i>Deferred Tax LBP Million</i>	<i>Net LBP Million</i>
Balance at 1 January 2024	1,533,676	(273,670)	1,260,006
Other comprehensive income from continuing operations	9,820,084	(1,635,868)	8,184,216
Sale of FVTOCI	(263,801)	-	(263,801)
Foreign currency translation of other components of equity	(373,196)	-	(373,196)
Adjustments	(2,491)	2,491	-
Balance at 31 December 2024	10,714,272	(1,907,047)	8,807,225
	<i>Change in Fair Value LBP Million</i>	<i>Deferred Tax LBP Million</i>	<i>Net LBP Million</i>
Balance at 1 January 2023	54,231	(6,136)	48,095
Other comprehensive income from continuing operations	1,517,533	(270,754)	1,246,779
Other comprehensive loss from discontinued operations	(172,236)	121,671	(50,565)
Write off of FVTOCI	12,860	-	12,860
Transfer to reserves related to assets held for sale	(229,890)	241,017	11,127
Foreign currency translation of other components of equity	(8,290)	-	(8,290)
Adjustments	359,468	(359,468)	-
Balance at 31 December 2023	1,533,676	(273,670)	1,260,006

44. ASSETS AND LIABILITIES HELD FOR SALE

Odea Bank A.Ş

On 14 October 2024, the Bank signed a shares purchase agreement for the sale of its 76.4% interest in the share capital of Odea Bank A.Ş. The transaction was executed on 26 March 2025, following the satisfaction of customary regulatory conditions, including obtaining the approvals of the Banking Regulation and Supervision Authority and the Competition Authority in Türkiye, at the agreed purchase price as set out in the Share Purchase Agreement. No impairment for Odea Bank A.Ş has been recognised under IFRS 5 as at 31 December 2024. Impairment under IFRS 5 is calculated as the difference between fair value less disposal costs and the carrying value of the disposal group. The fair value is determined by reference to the purchase price agreed upon between the two parties, taking into consideration potential reductions to be made pursuant to the contract. The fair value less disposal costs and the expected contribution exceeds the net asset value as at 31 December 2024.

Bank Audit

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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44. ASSETS AND LIABILITIES HELD FOR SALE (continued)

Assets and liabilities included in disposal groups classified as held for sale:

	<i>Odea Bank A.Ş</i> 2024 <i>LBP Million</i>	<i>Odea Bank A.Ş</i> 2023 <i>LBP Million</i>
Cash and balances with central banks	33,504,059	7,186,853
Due from banks and financial institutions	13,225,753	3,379,715
Loans to banks and financial institutions and reverse repurchase agreements	7,179,637	1,526,060
Derivative financial instruments	1,047,604	272,361
Financial assets at fair value through profit or loss	5,846,092	707,947
Loans and advances to customers at amortised cost	68,274,353	16,061,846
Financial assets at amortised cost	35,527,493	6,182,944
Financial assets at fair value through other comprehensive income	23,024,470	5,294,267
Property and equipment and right-of-use assets	1,535,729	190,687
Intangible assets	2,448,277	274,122
Assets obtained in settlement of debt	589,277	420,453
Deferred tax assets	5,613,486	438,601
Other assets	2,812,221	605,400
Total assets classified as held for sale	200,628,451	42,541,256
Due to central banks	12,882	8,770
Due to banks and financial institutions	10,700,774	1,119,124
Due to banks under repurchase agreement	17,499,049	3,170,186
Derivative financial instruments	1,789,173	257,196
Customers' deposits	121,919,956	29,686,785
Debt issued and other borrowed funds	25,512,561	4,280,670
Other liabilities	3,255,273	494,443
Provisions for risks and charges	1,227,062	413,683
Total liabilities classified held for sale	181,916,730	39,430,857
Net assets classified as held for sale	18,711,721	3,110,399
Attributable to:		
Equity holders of the parent	15,375,316	2,377,227
Non-controlling interests	3,336,405	733,172
	18,711,721	3,110,399
Reserves related to assets held for sale:		
Real estate revaluation reserve	198,385	3,622
Cumulative changes in fair value	(590,741)	(11,127)
Foreign currency translation reserve	9,572,018	(69,914)
Actuarial loss on defined benefit obligation	(165,856)	(23,213)
Cash flow hedge	-	(4,585)
	9,013,806	(105,217)

The carrying value of the disposal group is stated after the elimination of internal balances between Odea Bank A.Ş and the remaining entities within the Group of LBP 4,562,422 million (2023: LBP 1,105 million). Internal balances have been considered in determining the carrying value of the disposal groups held for sale for the purposes of measuring the disposal group at the lower of carrying amount and fair value less costs to sell.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

44. ASSETS AND LIABILITIES HELD FOR SALE (continued)

The disposal groups above meet the requirements for presentation as a discontinued operation. As such, the results, which have been presented as the profit after tax and non-controlling interest in respect of the discontinued operation on the face of the Group income statement, are analysed in the income statement below.

	<i>Odea Bank A.Ş</i> 2024 <i>LBP Million</i>	<i>Odea Bank A.Ş</i> 2023 <i>LBP Million</i>
Interest and similar income	42,306,056	6,297,483
Interest and similar expense	(46,426,352)	(5,104,309)
Net interest (expense) income	(4,120,296)	1,193,174
Fee and commission income	2,392,355	719,804
Fee and commission expense	(243,166)	(67,840)
Net fee and commission income	2,149,189	651,964
Net trading gain	4,760,663	205,272
Net gain on sale of financial assets at amortised cost	-	92,318
Other operating income	2,003,053	334,413
Total operating income	4,792,609	2,477,141
Net recovery on financial assets	1,593,849	14,961
Net operating income	6,386,458	2,492,102
Personnel expenses	(6,083,970)	(795,142)
Other operating expenses	(3,108,473)	(535,107)
Depreciation of property and equipment and right-of-use assets	(693,556)	(89,687)
Amortisation of intangible assets	(514,563)	(58,906)
Total operating expenses	(10,400,562)	(1,478,842)
Operating (loss) profit	(4,014,104)	1,013,260
Net gain on revaluation and disposal of fixed assets	-	-
(Loss) profit before tax	(4,014,104)	1,013,260
Income tax	3,340,211	(22,448)
(Loss) profit for the year	(673,893)	990,812
Attributable to:		
Equity holder of the parent	(463,334)	757,179
Non-controlling interests	(210,559)	233,633
	(673,893)	990,812

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At 31 December 2024

44. ASSETS AND LIABILITIES HELD FOR SALE (continued)

Other comprehensive income relating to discontinued operations is as follows:

	<i>Odea Bank A.Ş</i> 2024 <i>LBP Million</i>	<i>Odea Bank A.Ş</i> 2023 <i>LBP Million</i>
(Loss) profit for the year	(673,893)	990,812
Other comprehensive income that will be reclassified to the income statement in subsequent periods		
<i>Foreign currency translation</i>		
Exchange differences on translation of foreign operations	12,510,626	2,083,255
Net foreign currency translation	<u>12,510,626</u>	<u>2,083,255</u>
<i>Cash flow hedge</i>		
Net hedging gain arising during the year	48,012	39,555
Gain reclassified to income statement	(50,566)	(3,878)
Tax effects	(8,103)	(9,552)
Net change in cash flow hedge	<u>(10,657)</u>	<u>26,125</u>
<i>Debt instruments at fair value through other comprehensive income</i>		
Change in fair value during the year	(977,001)	(509,169)
Tax effects	224,881	121,671
Net loss on debt instruments at fair value through other comprehensive income	<u>(752,120)</u>	<u>(387,498)</u>
Total other comprehensive income that will be reclassified to the income statement in subsequent periods	<u>11,747,849</u>	<u>1,721,882</u>
Other comprehensive income (loss) that will not be reclassified to the income statement in subsequent periods		
<i>Revaluation of lands and buildings</i>		
Revaluation gain	360,513	-
Tax effects	(108,154)	-
Net revaluation of land and buildings	<u>252,359</u>	<u>-</u>
<i>Remeasurement losses on defined benefit plans</i>		
Actuarial loss on defined benefits plans	(100,452)	(16,294)
Tax effects	30,135	6,544
Net remeasurement losses on defined benefits plans	<u>(70,317)</u>	<u>(9,750)</u>
<i>Equity instruments at fair value through other comprehensive income</i>		
Change in fair value during the year	3,988	-
Tax effects	(918)	-
Net gain on equity instruments at fair value through other comprehensive income	<u>3,070</u>	<u>-</u>
Total other comprehensive income (loss) that will not be reclassified to the income statement in subsequent periods	<u>185,112</u>	<u>(9,750)</u>
Other comprehensive income for the year, net of tax	<u>11,932,961</u>	<u>1,712,132</u>
Total comprehensive income for the year, net of tax	<u>11,259,068</u>	<u>2,702,944</u>
Attributable to:		
Equity holder of the parent	8,604,180	2,065,590
Non-controlling interests	2,654,888	637,354
	<u>11,259,068</u>	<u>2,702,944</u>

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44. ASSETS AND LIABILITIES HELD FOR SALE (continued)

The cash flows attributed to the discontinued operations are as follows:

	<i>Odea Bank A.Ş.</i>	
	<i>2024</i>	<i>2023</i>
	<i>LBP Million</i>	<i>LBP Million</i>
Net cash flows (used in) operating activities	(25,097,721)	(1,116,961)
Net cash flows from investing activities	13,765,731	997,851
Net cash flows (used in) financing activities	(514,408)	(64,526)
Net decrease in cash and cash equivalents	(11,846,398)	(183,636)

45. GROUP SUBSIDIARIES

A. List of Significant Subsidiaries

The following table shows information related to the significant subsidiaries of the Bank.

	<i>Percentage of Ownership</i>		<i>Country of Incorporation</i>	<i>Principal Activity</i>	<i>Functional Currency</i>
	<i>2024</i>	<i>2023</i>			
Bank Audi France sa	100.00	100.00	France	Banking (Commercial)	EUR
Banque Audi (Suisse) SA	100.00	100.00	Switzerland	Banking (Private)	CHF
Audi Capital (K.S.A)	99.99	99.99	Saudi Arabia	Financial services	SAR
Bank Audi LLC (Qatar)	100.00	100.00	Qatar	Banking services	QAR
Société Libanaise de Factoring sal	100.00	100.00	Lebanon	Factoring	LBP
Odea Bank A.Ş.	76.42	76.42	Turkey	Banking (Commercial)	TRY
Audi Investments Holding sal	100.00	100.00	Lebanon	Investment	USD

B. Significant Restrictions

Except as disclosed in Note 17, the Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which banking subsidiaries operate. The supervisory frameworks require banking subsidiaries to keep certain levels of regulatory capital and liquid assets, limit their exposure to other parts of the Group, and comply with other ratios.

C. Non-controlling Interests

Odea Bank A.Ş is the only subsidiary of the Group that has a material non-controlling interest with 23.58% equity interests held by non-controlling interests as at 31 December 2024 (2023: the same). During 2024 and 2023, assets and liabilities were classified as held for sale in the consolidated balance sheet and the results were discontinued on the consolidated income statement (Note 44).

Material Partially Owned Subsidiaries

	<i>Odea Bank A.Ş.</i>	
	<i>2024</i>	<i>2023</i>
	<i>%</i>	<i>%</i>
Proportion of equity interests held by non-controlling interests	23.58%	23.58%

Financial information relating to Odea Bank A.Ş. is provided in Note 44.

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46. CASH AND CASH EQUIVALENTS

	2024 <i>LBP Million</i>	2023 <i>LBP Million</i>
Cash and balances with central banks	478,696,657	70,875,852
Due from banks and financial institutions	102,653,433	18,583,649
Due to central banks	(10,810)	(1,429)
Due to banks and financial institutions	(16,801,657)	(1,513,119)
	<u>564,537,623</u>	<u>87,944,953</u>

Cash and balances with central banks include amounts of LBP 120,838,999 million at 31 December 2024 (2023: LBP 21,151,994 million) representing mandatory reserve deposits and balances.

Cash and cash equivalents include balances that are subject to de-facto capital controls and restricted transfers outside Lebanon. Accordingly, these balances are not considered readily convertible to known amounts of cash in the denomination currency without a risk of changes in value. However, the Group maintains their classification as cash and cash equivalents as they are freely transferrable within the Lebanese territory. These balances were as follows as at 31 December 2024 and 31 December 2023:

	2024 <i>LBP Million</i>	2023 <i>LBP Million</i>
Cash and balances with central banks	428,952,650	61,480,586
Due from banks and financial institutions	308,342	219,792
	<u>429,260,992</u>	<u>61,700,378</u>

47. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values in this note are stated at a specific date and may be different from the amounts which will actually be paid on the maturity or settlement dates of the instrument. In many cases, it would not be possible to realise immediately the estimated fair values given the size of the portfolios measured. Accordingly, these fair values do not represent the value of these instruments to the Group as a going concern. Financial assets and liabilities are classified according to a hierarchy that reflects the significance of observable market inputs. The three levels of the fair value hierarchy are defined below:

Quoted Market Prices – Level 1

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation Technique Using Observable Inputs – Level 2

Financial instruments classified as Level 2 have been valued using models whose most significant inputs are derived directly or indirectly from observable market data. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets, and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

47. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

47.1. FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

Effects of Exchange Rates on the Fair Value Measurements

The fair value disclosures for other assets and liabilities are first determined in their original currency, which is not the Lebanese Pound in the case of most of the assets and liabilities reported below. These are then translated to Lebanese Pounds at the official published exchange rate as discussed in Note 1.3. This matter should be taken into consideration when interpreting the fair value disclosures in this note, especially those under Level 1 and Level 2.

Fair value measurement hierarchy of the financial assets and liabilities carried at fair value:

	2024			Total LBP Million
	Level 1 LBP Million	Level 2 LBP Million	Level 3 LBP Million	
FINANCIAL ASSETS				
Derivative financial instruments				
<i>Derivatives held for trading</i>				
Forward foreign exchange contracts	64,218	-	-	64,218
Forward precious metals contracts	22,864	-	-	22,864
Currency swaps	18,119	-	-	18,119
Precious metals swaps	5,115	-	-	5,115
Currency options	292,422	-	-	292,422
Equity options	731,646	-	-	731,646
	<u>1,134,384</u>	<u>-</u>	<u>-</u>	<u>1,134,384</u>
Financial assets at fair value through profit or loss				
<i>Lebanese sovereign and Central Bank of Lebanon</i>				
Eurobonds	7,435,603	-	-	7,435,603
<i>Other sovereign</i>				
Treasury bills	3,481,835	-	-	3,481,835
Eurobonds	11,637	-	-	11,637
<i>Private sector and other securities</i>				
Mutual funds	-	115,424	1,299,515	1,414,939
Equity instruments	255,328	-	-	255,328
	<u>11,184,403</u>	<u>115,424</u>	<u>1,299,515</u>	<u>12,599,342</u>
Financial assets at fair value through other comprehensive income				
<i>Debt instruments</i>				
<i>Other sovereign</i>				
Treasury bills	67,335	-	-	67,335
Eurobonds	452,353	-	-	452,353
<i>Private sector and other securities</i>				
Banks and financial institutions	17,474,990	-	-	17,474,990
Corporate	527,366	-	-	527,366
<i>Equity instruments</i>				
Quoted	11,200,077	-	-	11,200,077
Unquoted	-	266	793,675	793,941
	<u>29,722,121</u>	<u>266</u>	<u>793,675</u>	<u>30,516,062</u>
	<u>42,040,908</u>	<u>115,690</u>	<u>2,093,190</u>	<u>44,249,788</u>
FINANCIAL LIABILITIES				
Derivative financial instruments				
<i>Derivatives held for trading</i>				
Forward foreign exchange contracts	44,291	-	-	44,291
Currency swaps	45,638	-	-	45,638
Precious metals swaps	37	-	-	37
Currency options	292,422	-	-	292,422
Equity options	731,646	-	-	731,646
	<u>1,114,034</u>	<u>-</u>	<u>-</u>	<u>1,114,034</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

47. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

47.1. FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE (continued)

Fair value measurement hierarchy of the financial assets and liabilities carried at fair value (continued):

	2023			Total LBP Million
	Level 1 LBP Million	Level 2 LBP Million	Level 3 LBP Million	
FINANCIAL ASSETS				
Derivative financial instruments				
<i>Derivatives held for trading</i>				
Forward foreign exchange contracts	4,896	-	-	4,896
Forward precious metals contracts	100	-	-	100
Currency swaps	176,182	-	-	176,182
Precious metals swaps	1,877	-	-	1,877
Currency options	90,655	-	-	90,655
Equity options	178,817	-	-	178,817
	<u>452,527</u>	<u>-</u>	<u>-</u>	<u>452,527</u>
Financial assets at fair value through profit or loss				
<i>Lebanese sovereign and Central Bank of Lebanon</i>				
Eurobonds	165,957	-	-	165,957
<i>Other sovereign</i>				
Treasury bills and Eurobonds	2,322,934	-	-	2,322,934
<i>Private sector and other securities</i>				
Banks and financial institutions	1,509,348	-	-	1,509,348
Mutual funds	-	22,844	319,320	342,164
Equity instruments	18,137	-	-	18,137
	<u>4,016,376</u>	<u>22,844</u>	<u>319,320</u>	<u>4,358,540</u>
Financial assets at fair value through other comprehensive income				
<i>Debt instruments</i>				
<i>Other sovereign</i>				
Treasury bills and bonds	118,268	-	-	118,268
<i>Private sector and other securities</i>				
Banks and financial institutions	67,826	-	-	67,826
<i>Equity instruments</i>				
Quoted	1,673,382	-	-	1,673,382
Unquoted	-	2,644	163,153	165,797
	<u>1,859,476</u>	<u>2,644</u>	<u>163,153</u>	<u>2,025,273</u>
	<u>6,328,379</u>	<u>25,488</u>	<u>482,473</u>	<u>6,836,340</u>
FINANCIAL LIABILITIES				
Derivative financial instruments				
<i>Derivatives held for trading</i>				
Forward foreign exchange contracts	3,594	-	-	3,594
Forward precious metals contracts	1,158	-	-	1,158
Currency swaps	36,213	-	-	36,213
Precious metals swaps	2,500	-	-	2,500
Currency options	90,655	-	-	90,655
Equity options	178,817	-	-	178,817
	<u>312,937</u>	<u>-</u>	<u>-</u>	<u>312,937</u>
Customers' deposits – sight	1,365,821	-	-	1,365,821
	<u>1,678,758</u>	<u>-</u>	<u>-</u>	<u>1,678,758</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

47. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

47.1. FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE (continued)

Valuation Techniques Used for Material Classes of Financial Assets and Liabilities Categorised within Level 2 and Level 3:

Funds and Equity Shares of Non-listed Entities

Units held in funds are measured based on their net asset value (NAV), taking into account redemption and/or other restrictions. Classification between Level 2 and Level 3 is dependent on whether the NAV is observable or unobservable (i.e. recent and published by the fund administrator or not).

Equity shares of non-listed entities comprise mainly the Group's strategic investments, are generally classified at fair value through other comprehensive income, and are not traded in active markets. These are investments in private companies, for which there is no or only limited sufficient recent information to determine fair value. The Group determined that cost adjusted to reflect the investee's financial position and results since initial recognition represents the best estimate of fair value. Classification between Level 2 and Level 3 is based on whether the financial statements of the investee are recent and published or not. These instruments are fair valued using third-party information (NAV or financial statements of non-listed entities), without adjustment. Accordingly, quantitative information about significant unobservable inputs and sensitivity analysis cannot be developed by the Group in accordance with IFRS 13.93 (d).

The movement of items recurrently measured at fair value categorised within Level 3 during the year is as follows:

	2024		2023	
	<i>Financial Instruments at Fair Value through Profit or Loss</i> LBP Million	<i>Financial Instruments at Fair Value through Other Comprehensive Income</i> LBP Million	<i>Financial Instruments at Fair Value through Profit or Loss</i> LBP Million	<i>Financial Instruments at Fair Value through Other Comprehensive Income</i> LBP Million
FINANCIAL ASSETS				
Balance at 1 January	319,320	163,153	34,550	44,658
Re-measurement recognised in other comprehensive income	-	(52,266)	-	(77,927)
Re-measurement recognised in income statement	(313,634)	-	(7,408)	-
Purchases	-	-	-	958
Sales	(176,446)	(2,822)	(16,431)	-
Transfer to assets held for sale	-	-	-	(1,098)
Foreign exchange difference	1,470,275	685,610	308,609	196,562
Balance at 31 December	<u>1,299,515</u>	<u>793,675</u>	<u>319,320</u>	<u>163,153</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

47. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

47.2 FAIR VALUE OF FINANCIAL INSTRUMENTS NOT HELD AT FAIR VALUE

Comparison of Carrying and Fair Values for Financial Assets and Liabilities not Held at Fair Value

The fair values included in the table below were calculated for disclosure purposes only. The fair valuation techniques and assumptions described below relate only to the fair value of the Group's financial instruments not measured at fair value. Other institutions may use different methods and assumptions for their fair value estimations, and therefore such fair value disclosures cannot necessarily be compared from one institution to another.

Financial Assets and Liabilities Concentrated in Lebanon

These assets consist of balances with the Central Bank of Lebanon and Lebanese banks, Lebanese government securities, loans and advances to customers and related parties and customers and related parties deposits and debt issued and other borrowed funds. These are illiquid in nature and the measurement of their fair value is usually determined through discounted cash flow valuation models using observable market inputs, comprising of interest rates and yield curves, implied volatilities, and credit spreads. Due to the situation described in Note 1 and the unprecedented levels of uncertainty surrounding the economic crisis that Lebanon, and particularly the banking sector, is experiencing, Management is unable to produce faithful estimation of the fair value of these financial assets and liabilities.

The carrying value of the Group's other financial instruments (not concentrated in Lebanon) not measured at fair value is reasonable approximation of their fair value.

Fair value measurement hierarchy of the financial assets and liabilities for which fair value is disclosed:**Financial Assets and Liabilities not concentrated in Lebanon**

31 December 2024	Carrying Value LBP Million	Fair Value			Total LBP Million
		Level 1 LBP Million	Level 2 LBP Million	Level 3 LBP Million	
FINANCIAL ASSETS					
Cash and balances with central banks	45,541,362	8,258,432	37,282,930	-	45,541,362
Due from banks and financial institutions	149,537,512	-	149,537,512	-	149,537,512
Net loans & advances to customers	78,425,768	-	-	78,425,768	78,425,768
Corporate and SME	26,568,667	-	-	26,568,667	26,568,667
Retail and Personal Banking	51,857,101	-	-	51,857,101	51,857,101
Net loans & advances to related parties	171,735	-	-	171,735	171,735
Retail and Personal Banking	171,735	-	-	171,735	171,735
Financial assets classified at amortised cost	52,224,333	51,755,097	451,101	-	52,206,198
Other sovereign	31,033,982	30,623,929	451,101	-	31,075,030
Private sector and other securities	21,190,351	21,131,168	-	-	21,131,168
	325,900,710	60,013,529	187,271,543	78,597,503	325,882,575
FINANCIAL LIABILITIES					
Due to central banks	10,810	-	10,810	-	10,810
Due to banks and financial institutions	22,787,489	-	22,787,489	-	22,787,489
Customers' deposits	235,572,545	-	235,572,545	-	235,572,545
Deposits from related parties	5,296,242	-	5,296,242	-	5,296,242
	263,667,086	-	263,667,086	-	263,667,086

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

47. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

47.2 FAIR VALUE OF FINANCIAL INSTRUMENTS NOT HELD AT FAIR VALUE

Fair value measurement hierarchy of the financial assets and liabilities for which fair value is disclosed (continued):

Financial Assets and Liabilities not concentrated in Lebanon (continued)

31 December 2023	Carrying Value LBP Million	Fair Value			Total LBP Million
		Level 1 LBP Million	Level 2 LBP Million	Level 3 LBP Million	
FINANCIAL ASSETS					
Cash and balances with central banks	6,642,693	1,388,864	5,251,918	-	6,640,782
Due from banks and financial institutions	24,573,454	-	24,559,880	-	24,559,880
Net loans & advances to customers	11,852,833	-	-	12,778,549	12,778,549
<i>Corporate and SME</i>	3,812,434	-	-	3,964,647	3,964,647
<i>Retail and Personal Banking</i>	8,040,391	-	-	8,813,894	8,813,894
<i>Public sector</i>	8	-	-	8	8
Net loans & advances to related parties	540,730	-	-	542,134	542,134
<i>Corporate and SME</i>	7,220	-	-	8,624	8,624
<i>Retail and Personal Banking</i>	533,510	-	-	533,510	533,510
Financial assets classified at amortised cost	6,553,615	6,286,392	227,119	-	6,513,511
<i>Other sovereign</i>	3,856,361	3,628,704	227,119	-	3,855,823
<i>Private sector and other securities</i>	2,697,254	2,657,688	-	-	2,657,688
	50,163,325	7,675,256	30,038,917	13,320,683	51,034,856
FINANCIAL LIABILITIES					
Due to central banks	1,429	-	1,429	-	1,429
Due to banks and financial institutions	2,603,959	-	2,603,959	-	2,603,959
Customers' deposits	35,288,134	-	35,605,833	-	35,605,833
Deposits from related parties	1,012,269	-	1,036,493	-	1,036,493
	38,905,791	-	39,247,714	-	39,247,714

Valuation Techniques Used for Material Classes of Financial Assets and Liabilities Categorised within Level 2 and Level 3:

Short-term Financial Assets and Liabilities

For financial assets and financial liabilities that have a short-term maturity (less than three months), the carrying amounts are a reasonable approximation of their fair value. Such instruments include: cash and balances with central banks; due to and from banks; demand deposits; and savings accounts without a specific maturity.

Deposits with Banks and Loans and Advances to Banks

For the purpose of this disclosure, for financial assets that are short-term in nature or have interest rates that re-price frequently, there is minimal difference between fair value and carrying amount. The fair value of deposits with longer maturities are estimated using discounted cash flows applying market rates for counterparties with similar credit quality. Where market data or credit information on the underlying borrower is unavailable, a number of proxy/extrapolation techniques are employed to determine the appropriate discount rate.

Government Bonds, Certificates of Deposit and Other Debt Securities

The Group values these unquoted debt securities using discounted cash flow valuation models using observable market inputs, comprising of interest rates and yield curves, implied volatilities, and credit spreads.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

47. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

47.2 FAIR VALUE OF FINANCIAL INSTRUMENTS NOT HELD AT FAIR VALUE (continued)

Loans and Advances to Customers

For the purpose of this disclosure, in many cases, the fair value disclosed approximates carrying value because these advances are short-term in nature or have interest rates that re-price frequently. The fair value of loans and advances to customers that do not fall in this category is estimated using discounted cash flows by applying current rates to new loans with similar remaining maturities and to counterparties with similar credit quality.

Deposits from Banks and Customers

In many cases, the fair value disclosed approximates carrying value because these financial liabilities are short-term in nature or have interest rates that re-price frequently. The fair value for deposits with long-term maturities, such as time deposits, is estimated using discounted cash flows, applying either market rates or current rates for deposits of similar remaining maturities. Where market data is unavailable, a number of proxy/extrapolation techniques are employed to determine the appropriate discount rate.

48. CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS

Credit-related Commitments and Contingent Liabilities

The Group enters into various commitments, guarantees and other contingent liabilities which are mainly credit-related instruments including both financial and non-financial guarantees and commitments to extend credit. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Group. The table below discloses the nominal principal amounts of credit-related commitments and contingent liabilities. Nominal principal amounts represent the amount at risk should the contracts be fully drawn upon and clients' default. As a significant portion of guarantees and commitments is expected to expire without being withdrawn, the total of the nominal principal amount is not indicative of future liquidity requirements.

	2024		
	<i>Banks</i>	<i>Customers</i>	<i>Total</i>
	<i>LBP Million</i>	<i>LBP Million</i>	<i>LBP Million</i>
Guarantees and contingent liabilities			
Financial guarantees	168,464	15,674,060	15,842,524
Other guarantees	241,789	5,767,872	6,009,661
	<u>410,253</u>	<u>21,441,932</u>	<u>21,852,185</u>
Commitments			
Documentary credits	-	11,182,913	11,182,913
Loan commitments	-	29,814,859	29,814,859
<i>Of which revocable</i>	-	28,388,333	28,388,333
<i>Of which irrevocable</i>	-	1,426,526	1,426,526
	<u>-</u>	<u>40,997,772</u>	<u>40,997,772</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

**48. CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS
(continued)****Credit-related Commitments and Contingent Liabilities (continued)**

	2023		
	Banks LBP Million	Customers LBP Million	Total LBP Million
Guarantees and contingent liabilities			
Financial guarantees	29,614	1,867,370	1,896,984
Other guarantees	64,454	1,197,029	1,261,483
	94,068	3,064,399	3,158,467
Commitments			
Documentary credits	-	2,228,704	2,228,704
Loan commitments	-	4,211,514	4,211,514
<i>Of which revocable</i>	-	3,938,737	3,938,737
<i>Of which irrevocable</i>	-	272,777	272,777
	-	6,440,218	6,440,218

Guarantees (Including Standby Letters of Credit)

Guarantees are given as security to support the performance of a customer to third parties. The main types of guarantees provided are:

- Financial guarantees given to banks and financial institutions on behalf of customers to secure loans, overdrafts, and other banking facilities; and
- Other guarantees are contracts that have similar features to the financial guarantee contracts but fail to meet the strict definition of a financial guarantee contract under IFRS. These mainly include performance and tender guarantees.

Documentary Credits

Documentary credits commit the Group to make payments to third parties, on production of documents which are usually reimbursed immediately by customers.

Loan Commitments

Loan commitments are defined amounts (unutilised credit lines or undrawn portions of credit lines) against which clients can borrow money under defined terms and conditions.

Revocable loan commitments are those commitments that can be unconditionally cancelled at any time subject to notice requirements according to their general terms and conditions. Irrevocable loan commitments result from arrangements where the Group has no right to withdraw the loan commitment once communicated to the beneficiary.

Investment Commitments

The Group invested in funds pursuant to the provisions of Decision No. 6116 dated 7 March 1996 of the Central Bank of Lebanon. In accordance with this resolution, the Group can benefit from facilities granted by the Central Bank of Lebanon to be invested in startup companies, incubators and accelerators whose objects are restricted to supporting the development, success and growth of startup companies in Lebanon or companies whose objects are restricted to investing venture capital in startup companies in Lebanon. These investments have resulted in future commitments on the Group of LBP 654,693 million as of 31 December 2024 (2023: LBP 109,725 million).

Legal Claims

Litigation is a common occurrence in the banking industry due to the nature of the business. At year-end, the Group had several unresolved legal claims in Lebanon and abroad, mainly those relating to the restrictive measures in place with respect to the withdrawal of funds and transfers abroad and a civil action filed in US federal courts in the US District Court in the Eastern District of New York (EDNY) against eleven Lebanese banks including Bank Audi sal, asserting primary and secondary liability claims under the Anti-Terrorism Act ("ATA").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

**48. CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS
(continued)****Credit-related Commitments and Contingent Liabilities (continued)****Legal Claims (continued)**

The extent of the impact of these matters cannot always be predicted but may materially impact the Group's operations, financial results, condition and prospects. However, once professional advice has been obtained and the amount of damages reasonably estimated, the Group makes adjustments to account for any adverse effects which the claims may have on its financial standing. Based on advice from legal counsel, and despite the novelty of certain claims and the uncertainties inherent in their unique situation, Management believes that legal claims will not result in any material financial loss to the Group, except as provided for in Note 36, however they may have an impact on the liquidity of the Group (Note 56).

Capital Expenditure Commitments

	<i>2024</i> <i>LBP Million</i>	<i>2023</i> <i>LBP Million</i>
Capital expenditure commitments	24,305	4,345

Commitments Resulting from Credit Facilities Received

The Group has several commitments and covenants resulting from credit facilities, term loans and subordinated debts with non-resident financial institutions. The Group is in breach with some of the financial covenants which were calculated based on the recorded figures and do not take into consideration the adjustments that may result from the resolution of the uncertainties in Note 1. Due to the high level of uncertainties and the lack of observable reliable indicators and the high gap in currency rates, the Group is unable to estimate in a reasonable manner the impact of these matters on its covenant calculation.

Other Commitments and Contingencies

Certain areas of the Lebanese tax legislation and the tax legislations where the subsidiaries operate are subject to different interpretations in respect of the taxability of certain types of financial transactions and activities. The Bank's books in Lebanon for the years 2018 to 2019 (inclusive) are currently under review by the tax authorities. The outcome of this review cannot be determined yet. The Bank's books in Lebanon remain subject to the review of the tax authorities for the years 2018 to 2023 and the review of the National Social Security Fund (NSSF) for the period from 30 September 2011 to 31 December 2024. In addition, the subsidiaries' books and records are subject to review by the tax and social security authorities in the countries in which they operate. Management believes that adequate provisions were recorded against possible review results to the extent that they can be reliably estimated.

49. ASSETS UNDER MANAGEMENT

Assets under management include client assets managed or deposited with the Group. For the most part, the clients decide how these assets are to be invested.

	<i>2024</i> <i>LBP Million</i>	<i>2023</i> <i>LBP Million</i>
Assets under management	620,235,477	98,464,331
Fiduciary assets	88,097,152	18,874,773
	<u>708,332,629</u>	<u>117,339,104</u>

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At 31 December 2024

50. RELATED-PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or one other party controls both. The definition includes subsidiaries, associates, Key Management Personnel and their close family members, as well as entities controlled or jointly controlled by them.

Subsidiaries

Transactions between the Bank and its subsidiaries meet the definition of related-party transactions. However, where these are eliminated on consolidation, they are not disclosed in the Group's financial statements.

Associates and Other Entities

The Group provides banking services to its associates and to entities under common directorships. As such, loans, overdrafts, interest and non-interest bearing deposits, and current accounts are provided to these entities, as well as other services. These transactions are conducted on the same terms as third-party transactions. Summarised financial information for the Group's associates is set out in Note 24 to these financial statements.

Amounts included in the Group's financial statements are as follows:

	2024 <i>LBP Million</i>	2023 <i>LBP Million</i>
Loans and advances	361,848	575,051
<i>Of which: granted to Key Management Personnel</i>	<i>353,010</i>	<i>34,966</i>
<i>Of which: cash collateral received against loans</i>	<i>157,117</i>	<i>531,050</i>
Indirect facilities	89,853	15,265
Deposits	3,537,330	1,319,556
Interest income on loans	12,528	3,619
Interest expense on deposits	4,310	927

Key Management Personnel

Key Management Personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Group and its employees. The Group considers the members of the Board of Directors (and its sub-committees) and Executive Committee, and persons and entities connected to them to be Key Management Personnel.

	2024 <i>LBP Million</i>	2023 <i>LBP Million</i>
Short-term benefits	451,341	105,561
Post-employment benefits – income statement	6,485	519
Post-employment benefits – other comprehensive income	(59,298)	(6,719)

Short-term benefits comprise of salaries, bonuses, attendance fees and other benefits.

Provision for end-of-service benefits of Key Management Personnel amounted to LBP 93,315 million as of 31 December 2024 (2023: LBP 27,532 million).

51. RISK MANAGEMENT

The Group is exposed to various risk types, some of which are:

- Credit risk: the risk of default or deterioration in the ability of a borrower to repay a loan.
- Market risk: the risk of loss in balance sheet and off-balance sheet positions arising from movements in market prices. Movements in market prices include changes in interest rates (including credit spreads), exchange rates and equity prices.
- Liquidity risk: the risk that the Group cannot meet its financial obligations when they come due in a timely manner and at a reasonable cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

51. RISK MANAGEMENT (continued)

- Operational risk: the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.
- Other risks faced by the Group include concentration risk, reputation risk, litigation risk, compliance risk, political risk, business/strategic risk, and information security/cybersecurity risk.

Risks are managed through a process of ongoing identification, measurement, monitoring, mitigation and control, and reporting to relevant stakeholders. The Group ensures that risks and rewards are properly balanced and in line with the risk appetite framework, which is approved by the Board of Directors.

Board of Directors

The Board of Directors (the Board) is ultimately responsible for setting the level of acceptable risks to which the Group is exposed, and as such, approves the risk appetite and policies of the Group. The Board monitors the risk profile in comparison to the risk appetite on a regular basis and follow-up on existing and emerging risks.

Board Group Risk Committee

The role of the Board's Group Risk Committee (BGRC) is to oversee the risk management framework and assess its effectiveness, review and recommend to the Board the Group risk policies and risk appetite, monitor the Group's risk profile, review stress test scenarios and results, and provide access for the Group Chief Risk Officer (CRO) to the Board. The BGRC meets at least every quarter in the presence of the Group CRO.

Various management committees and departments oversee different aspects of risk management, as detailed below:

Executive Committee

The Executive Committee's role is to assist the Board in executing the Group's strategy and aid the Group CEO with the daily operations. It is responsible for developing and implementing business policies and issuing guidance for the Group within the strategy approved by the Board. The Executive Committee is involved in reviewing and submitting to the Board the risk policies and risk appetite.

Asset Liability Committee

The Asset Liability Committee (ALCO) is a Management committee responsible in part for managing market and liquidity risks, as well as reviewing funding needs and liquidity contingency measures. It is the responsibility of this committee to set up strategies for managing liquidity and market risks and ensure that Treasury implements those strategies in line with risk policies and limits approved by the Board.

Internal Audit

Risk management processes are independently audited by the Internal Audit Department at least annually. This includes the examination of both the adequacy and effectiveness of risk control procedures. Internal Audit discusses the results of its assessments with Management and reports its findings and recommendations to the Audit Committee of the Board.

Risk Management

Risk Management is a function independent from business lines and headed by the Group CRO. The function has the responsibility to ensure that risks are properly identified, measured, monitored, controlled, and reported to relevant stakeholders. These include the heads of business lines, Senior Management, ALCO, the Board Group Risk Committee and the Board. In addition, the function works closely with Senior Management to ensure that proper controls and effective mitigants are in place. The Risk function at the Group level has the responsibility of drafting risk policies and principles for adoption at the entity level. In addition, it is in charge of cascading risk appetite and limits to entities and business lines, as well as monitoring and aggregating the risk profile across the Group.

Risk Appetite

The Risk appetite reflects the level and type of risk that the Group is willing to accept, taking into account the Group's strategy, operating environment and regulatory constraints.

Risk appetite is formalised in a document, which is reviewed by the Executive Committee and the Board Group Risk Committee, and approved by the Board. This document comprises qualitative and quantitative statements of risk appetite and includes key risk indicators covering various material and relevant risks.

52. CREDIT RISK

Credit risk is the risk that the Group will incur a loss because its obligors or counterparties fail to meet their contractual obligations, including the full and timely payment of principal and interest. Credit risk arises from various balance sheet and off-balance sheet exposures including bank placements, loans and advances, credit commitments, financial guarantees, letters of credit, acceptances, investments in debt securities (including sovereign) and derivative financial instruments. Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position. In the case of credit derivatives, the Group is also exposed to the risk of default of the derivative's counterparty.

52.1. Credit Risk Management

The Group manages and controls credit risk by setting concentration limits on counterparties, geographies and sectors. It also monitors on a regular basis the risk profile in relation to these limits.

Credit risk oversight is conducted independently by the Credit Review and Credit Risk functions within each entity. These functions ensure a proper coverage of credit risk through the implementation of various processes, including but not limited to: i) providing independent opinions on credit files, ii) reviewing and approving obligors risk ratings assignments, iii) conducting portfolio reviews, iv) ensuring compliance with the Group's credit policy and limits, and v) aggregating data and reporting the credit risk profile to relevant stakeholders.

The Group has established various credit monitoring processes for the early detection of potential deteriorations in borrowers' credit quality and accordingly, and the implementation of corresponding remedial measures. These processes include regular loan portfolio reviews, IFRS 9 Impairment Committee meetings, as well as individual credit assessments of borrowers and their corresponding facilities. The latter process is mainly applicable for non-retail obligors.

The Group has also established an approval limit structure for granting and renewing credit facilities. Credit officers and credit committees are responsible for the approval of facilities up to their own assigned limits. Once approved, facilities are disbursed when all the requirements set by the respective approval authority are met and documents intended as security are obtained and verified by the Credit Administration function.

52.2. Expected Credit Losses

52.2.1. Governance and Oversight of Expected Credit Losses

The IFRS 9 Impairment Committee, which is a committee composed of Executive Committee members, oversees the implementation of the Expected Credit Loss (ECL) framework. This is being done by: i) approving the IFRS-9 Impairment Policy; ii) reviewing key assumptions and estimations that are part of the ECL framework; iii) approving the forward-looking economic scenarios; iv) approving staging classifications on a name-by-name basis for material exposures; and v) reviewing ECL results.

The Group reviews its IFRS-9 Impairment Policy on an annual basis, at minimum, and amends it accordingly to reflect any change in the estimation methodology, embedded assumptions or regulatory requirements.

Key judgments inherent in this policy, including the estimated life of revolving credit facilities and the quantitative criteria for assessing the Significant Increase in Credit Risk (SICR), are assessed through a combination of expert judgment and data-driven methodologies.

52. CREDIT RISK (continued)**52.2. Expected Credit Losses (continued)****52.2.1. Governance and Oversight of Expected Credit Losses (continued)**

ECL is estimated using a model that takes into account the borrower's exposure, internal obligor risk rating, facility characteristics, and collateral information among other. Models are, by their nature, imperfect and incomplete representations of reality because they rely on assumptions and inputs, and so they may be subject to errors affecting the accuracy of their outputs. To manage model risks, the Group has established a systematic approach for the development, validation, approval, implementation and on-going use of the models. Models are validated by a qualified independent party to the model developers, before first use and at regular intervals thereafter.

Each model is designated an owner who is responsible for: i) monitoring the performance of the model, which includes comparing estimated ECL versus actual realised losses; and ii) proposing post-model development adjustments to enhance model's accuracy or to account for situations where known or expected risk factors and information have not been considered in the modelling process. Models used in the estimation of ECL, including key inputs, are governed by a series of internal controls, which include the validation of completeness and accuracy of data, reconciliation with Finance data, and documentation of the calculation steps.

ECL estimation takes into account a range of future economic scenarios, which are set by economists within the Group's Research Department using independent models and expert judgment. Forward-looking economic scenarios, with their corresponding probabilities of occurrence, are updated annually or more frequently in the event of a significant change in the prevailing economic conditions.

52.2.2. Definition of Default and Cure

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay his credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).
- The borrower is more than 90 days past due on any material credit obligation to the Group.

As part of the qualitative assessment process of default identification, the Group carefully considers other criteria than the ones listed above in order to determine if an exposure should be classified in Stage 3 for ECL calculation purpose or if a Stage 2 classification is deemed more appropriate.

It is the Group's policy to consider a financial instrument as "cured" and therefore re-classified out of Stage 3 when none of the default criteria have been present for a specific period of time. The decision whether to classify an asset as Stage 2 or Stage 1 once cured is dependent on the absence of SICR criteria compared to the initial recognition date and is examined on a case-by-case basis. In case of forbearance under Stage 2, the borrower remains in this stage until all the following conditions have been met: i) at least a 12-month probation period has passed; ii) three consecutive payments under the new repayment schedule have been made; iii) the borrower has no past dues under any obligation to the Group; and iv) all the terms and conditions agreed to as part of the restructuring agreement when applicable have been met.

52.2.3. The Group's Internal Rating and PD Estimation Process**Central Banks, Sovereigns and Financial Institutions**

For central banks, sovereigns and financial institutions' exposures, ratings from recognised external rating agencies are used and mapped to their corresponding PDs as reported by these agencies. These ratings with their corresponding PDs are monitored and updated on a regular basis.

As per BdL Intermediate Circular 649 issued on 24 November 2022, provision coverages on exposures to the Lebanese sovereign and to the Central Bank of Lebanon in foreign currency should reach 75% by December 2026 and 1.89% respectively. Regulatory ECLs on exposures to the Lebanese sovereign in local currency and to the Central Bank of Lebanon in local currency are set to 0%. Due to the high levels of uncertainties, the lack of observable indicators, and the lack of visibility on the Lebanese government's reform plans with respect to, among other, the exposures to the Central Bank of Lebanon, the Group was unable to estimate in a reasonable manner ECL on these exposures and accordingly, as applicable, the loss rates mentioned in BdL Intermediate Circular 649 were adopted. ECL on exposure to the Central Bank of Lebanon in foreign currency stood at 1.89% as at 31 December 2024 and 2023.

52. CREDIT RISK (continued)**52.2. Expected Credit Losses (continued)****52.2.3. The Group's Internal Rating and PD Estimation Process (continued)***Non-retail Loans*

The Risk function is responsible for the development of internal rating models and for the estimation of Probability of Default (PD) and Loss Given Default (LGD). The Group uses an internal Obligor Risk Rating (ORR) scale comprised of 19 performing grades and 3 non-performing ones. These grades, which are generated by internal rating models, are calibrated to PDs using historical default observations that are specific to each geography and business line segment. If historical default observations are not sufficient for a reliable PD estimation, then a low-default portfolio approach is adopted. The mapping of ratings to PDs is done initially on a through-the-cycle basis. PDs are then adjusted to incorporate a forward-looking component and point in time in line with the IFRS 9 standard.

Internal rating models for the Group's key lending portfolios (including Corporate and SME) take into account both obligor's qualitative and quantitative criteria such as:

- Historical and projected financial information related to the customer. These include debt service coverage, operations, liquidity, capital structure and other relevant financial ratios.
- Account behaviour, repayment history and other non-financial information such as management quality, company standing and industry risk.
- Any publicly available information from external parties. This includes external credit ratings issued by recognised rating agencies, independent research analyst reports and other market disclosures.
- Macroeconomic information such as GDP growth corresponding to the borrower's country of operations.
- Any other supporting information on the obligor's willingness and capacity to repay its debt.

Internal ratings are initially assigned by the credit origination functions (i.e. business lines) and are approved by the Credit Review function, which is independent from business lines. The Credit Review function is responsible for ensuring that ratings assigned to obligors are accurate and updated at all times.

Retail Loans and Private Banking

Retail lending comprises mainly of personal loans, car loans, credit cards and housing loans. The Group normally relies on application scorecards to score retail applicants. These are used to automate decisions according to a certain cut-off score or as an additional input for credit officers to approve or reject applications. For the estimation of expected losses for retail products, the Group uses the loss rate approach by product based on the net flow of exposures from a days-past-due bucket to another. This estimation is adjusted by a forward-looking component in line with the IFRS 9 standard.

Private Banking credit exposures are mainly related to margin lending activities where the Group typically holds high liquid and diversified securities as collaterals with very conservative loan-to-value thresholds. This lending discipline, together with very tight and automated monitoring standards, ensure the portfolio remains of very high quality. The ECLs for these exposures is dependent on collateral types and coverage level, among others.

52.2.4. Loss Given Default (LGD)

LGD is the magnitude of the likely loss in the event of a default. The Group estimates LGD based on the history of recovery rates of claims against defaulted counterparties that were fully settled, as well as on the potential future recoveries on defaulted counterparties that still have outstanding balances. LGD estimation is dependent on the counterparty and collateral type, as well as recovery costs. For portfolios with limited historical data, external benchmark information is used to supplement available internal data.

52.2.5. Exposure at Default (EAD)

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable.

52. CREDIT RISK (continued)

52.2. Expected Credit Losses (continued)

52.2.6. Significant Increase in Credit Risk

In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or Lifetime ECL (LTECL), the Group assesses whether there has been a significant increase in credit risk since initial recognition, using reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information based on the Group's historical experience and expert credit assessment including forward-looking information. The Group assessment of significant increase in credit risk is conducted on a monthly basis based on the following:

Non-retail Portfolio

Migration of obligor risk rating by a certain number of notches from origination date to reporting date as a key indicator of the change in the risk of default at origination date with one at reporting. The Group also considers in its assessment of significant increase in credit risk various qualitative factors including significant adverse changes in business condition, restructuring due to credit quality weakness during the past 12 months, and classification of an exposure under the "Follow-up and Regularisation" supervisory classification.

Retail Portfolio

The Group considers specific conditions that might be indicative of a significant increase in credit risk such as the occurrence of a restructuring event.

Backstop

As a backstop, the financial instrument is considered to have experienced a significant increase in credit risk if the obligor is more than 30 days past-due on his contractual payment.

A downgrade from Stage 2 to Stage 3 is based on whether financial assets are credit-impaired at the reporting date.

52.2.7. Expected Life

With the exception of revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier. With respect to revolving facilities, the Group does not limit its exposure to credit losses to the contractual notice period, but instead, calculates ECL over a period that reflects the Group's expectations with regards to the customer's behaviour, its likelihood of default and future risk mitigation actions, which could include reducing or cancelling the facilities.

52.2.8. Forward-looking Information

The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition, and the measurement of ECL.

The Group formulates three economic scenarios: a base case, which is the median scenario and two less likely scenarios, one upside and one downside, each assigned a specific probability of occurrence. The base case scenario is aligned with information used by the Group for other purposes such as strategic and budgeting planning processes.

These scenarios, including the weights attributable to them, are prepared by economists in the Research Department. They are determined using a combination of expert judgment and model output. The Group reviews the methodologies and assumptions including any forecasts of future economic conditions on a regular basis.

The Group has identified real GDP growth as the key driver for ECL estimation in several countries where it operates. Using an analysis of historical data, the Group has estimated relationships between this macro-economic variable and credit losses. The ECL estimates have been assessed for sensitivity to changes in forecasts of the macroeconomic-variable and also together with changes to the weights assigned to the scenarios. For the Group's various countries of operation, excluding Lebanon, the impact on ECL is not material.

For Lebanon, given the prevailing high economic and financial uncertainties and challenges, as disclosed in Note 1, ECLs estimation remains subject to high volatility (including from changes to macroeconomic variable forecasts) especially in view of the prolonged crisis and continued deterioration in economic conditions. It is not practical at this stage to determine and provide a sensitivity analysis that is reasonably possible before the full resolution of these prevailing high uncertainties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

52. CREDIT RISK (continued)**52.2. Expected Credit Losses (continued)****52.2.9. Modified and Forborne Loans**

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention, and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in The *Summary of Significant Accounting Policies* above.

When a modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Group renegotiates loans to customers in financial difficulties (referred to as “forbearance activities”) to maximise collection opportunities and minimise the risk of default. Under the Group’s forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on his debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the interest and/or principal and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk.

The table below includes Stage 1 and 2 assets that were modified and, therefore, treated as forborne during the year.

	<i>2024</i>	<i>2023</i>
	<i>LBP Million</i>	<i>LBP Million</i>
Amortised costs of financial assets modified during the period	388,513	52,620

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

52. CREDIT RISK (continued)
 52.2. Expected Credit Losses (continued)
 52.2.10. Financial Assets and ECLs by Stage

The tables below present an analysis of financial assets at amortised cost by gross exposure and impairment allowance by stage allocation as at 31 December 2024 and 31 December 2023. The Group does not hold any purchased or originated credit-impaired assets as at year-end.

31 December 2024	Gross Exposure			Impairment Allowance			Net Exposure LBP Million		
	Stage 1 LBP Million	Stage 2 LBP Million	Stage 3 LBP Million	Total LBP Million	Stage 1 LBP Million	Stage 2 LBP Million		Stage 3 LBP Million	Total LBP Million
Central banks	36,657,218	835,207,795	-	871,865,013	-	16,228,563	-	16,228,563	855,636,450
Due from banks and financial institutions	149,531,355	489,183	33,000	150,053,538	5,640	56,478	12,776	74,894	149,978,644
Loans and advances to customers at amortised cost	78,264,067	6,335,533	22,449,488	107,049,088	1,408,890	1,832,106	18,011,693	21,252,689	85,796,399
Corporate and SME	25,992,459	6,256,829	16,111,773	48,361,061	1,188,499	1,818,767	13,197,403	16,204,669	32,156,392
Retail and Personal Banking	52,271,608	76,213	5,009,351	57,357,172	220,391	13,332	3,485,926	3,719,649	53,637,523
Public sector	-	2,491	1,328,364	1,330,855	-	7	1,328,364	1,328,371	2,484
Loans and advances to related parties at amortised cost	361,848	-	-	361,848	-	-	-	-	361,848
Financial assets at amortised cost	52,233,863	59,479,673	2,041,628	113,755,164	9,531	1,173,306	-	1,182,837	112,572,327
Financial guarantees and other commitments	33,941,016	651,374	504,694	35,097,084	45,533	23,201	214,723	283,457	34,813,627
Total	350,989,367	902,163,558	25,028,810	1,278,181,735	1,469,594	19,313,654	18,239,192	39,022,440	1,239,159,295

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

52. CREDIT RISK (continued)

52.2. Expected Credit Losses (continued)

52.2.10. Financial Assets and ECLs by Stage (continued)

31 December 2023	Gross Exposure			Impairment Allowance			Net Exposure LBP Million		
	Stage 1 LBP Million	Stage 2 LBP Million	Stage 3 LBP Million	Total LBP Million	Stage 1 LBP Million	Stage 2 LBP Million		Stage 3 LBP Million	Total LBP Million
Central banks	5,250,814	143,348,695	-	148,599,509	-	2,728,114	-	2,728,114	145,871,395
Due from banks and financial institutions	24,570,068	309,080	5,551	24,884,699	9	34,549	2,155	36,713	24,847,986
Loans and advances to customers at amortised cost	13,947,179	592,270	5,273,895	19,813,344	370,615	98,727	4,178,419	4,647,761	15,165,583
Corporate and SME	5,351,865	535,292	3,387,165	9,274,322	246,018	79,781	2,668,233	2,994,032	6,280,290
Retail and Personal Banking	8,595,306	54,837	1,563,485	10,213,628	124,597	18,936	1,219,956	1,363,489	8,850,139
Public sector	8	2,141	323,245	325,394	-	10	290,230	290,240	35,154
Loans and advances to related parties at amortised cost	575,062	-	-	575,062	11	-	-	11	575,051
Financial assets at amortised cost	6,554,590	10,428,238	5,058,052	22,040,880	975	196,644	2,617,629	2,815,248	19,225,632
Financial guarantees and other commitments	5,674,921	1,50,489	84,586	5,909,996	12,841	2,167	25,260	40,268	5,869,728
Total	56,572,634	154,828,772	10,422,084	221,823,490	384,451	3,060,201	6,823,463	10,268,115	211,555,375

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

52. CREDIT RISK (continued)

52.2. Expected Credit Losses (continued)

52.2.10. Financial Assets and ECLs by stage (continued)

The following table represents a reconciliation of the opening to the closing balance of impairment allowances of loans and advances at amortised cost:

	<i>Stage 1</i> <i>LBP Million</i>	<i>Stage 2</i> <i>LBP Million</i>	<i>Stage 3</i> <i>LBP Million</i>	<i>Total</i> <i>LBP Million</i>
At 1 January 2024	370,615	98,727	4,178,419	4,647,761
Net re-measurements and reallocations	(857,619)	1,303,960	1,810,210	2,256,551
Recoveries	-	-	(4,327,641)	(4,327,641)
Write-offs	-	-	(5,027,413)	(5,027,413)
Other movements	-	-	765,535	765,535
Foreign exchange difference	1,895,894	429,419	20,612,583	22,937,896
Balance at 31 December 2024	1,408,890	1,832,106	18,011,693	21,252,689
	<i>Stage 1</i> <i>LBP Million</i>	<i>Stage 2</i> <i>LBP Million</i>	<i>Stage 3</i> <i>LBP Million</i>	<i>Total</i> <i>LBP Million</i>
At 1 January 2023	53,116	129,074	708,522	890,712
Net re-measurements and reallocations	94,848	(72,785)	214,122	236,185
Recoveries	-	-	(199,921)	(199,921)
Write-offs	-	-	(1,310,205)	(1,310,205)
Other movements	-	-	66,125	66,125
Related to discontinued operations	147,734	219,211	146,027	512,972
Transfer to assets held for sale	(160,686)	(312,901)	(205,937)	(679,524)
Foreign exchange difference	235,603	136,128	4,759,686	5,131,417
Balance at 31 December 2023	370,615	98,727	4,178,419	4,647,761

The contractual amount outstanding on loans that have been written off, but were still subject to enforcement activity, was LBP 12,040,681 million at 31 December 2024 (2023: LBP 7,013,268 million).

The following table represents a reconciliation of the opening to the closing balance of impairment allowances of financial assets at amortised cost:

	<i>Stage 1</i> <i>LBP Million</i>	<i>Stage 2</i> <i>LBP Million</i>	<i>Stage 3</i> <i>LBP Million</i>	<i>Total</i> <i>LBP Million</i>
At 1 January 2024	975	196,644	2,617,629	2,815,248
Net re-measurements and reallocations	7,361	-	807,577	814,938
Transfer arising from the Eurobonds reclassification (Note 22)	-	-	(16,067,339)	(16,067,339)
Write offs	-	-	(353,845)	(353,845)
Foreign exchange difference	1,195	976,662	12,995,978	13,973,835
Balance at 31 December 2024	9,531	1,173,306	-	1,182,837

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At 31 December 2024

52. CREDIT RISK (continued)

52.2. Expected Credit Losses (continued)

52.2.10. Financial Assets and ECLs by stage (continued)

	<i>Stage 1</i> <i>LBP Million</i>	<i>Stage 2</i> <i>LBP Million</i>	<i>Stage 3</i> <i>LBP Million</i>	<i>Total</i> <i>LBP Million</i>
At 1 January 2023	2,642	65,252	87,890	155,784
Net re-measurements and reallocations	477	(452,629)	2,165,266	1,713,114
Related to discontinued operations	19,357	-	-	19,357
Transfer to assets held for sale	(21,952)	-	-	(21,952)
Foreign exchange difference	451	584,021	364,473	948,945
Balance at 31 December 2023	975	196,644	2,617,629	2,815,248

The following table represents a reconciliation of the opening to the closing balance of impairment allowances of balances with central banks:

	<i>Stage 1</i> <i>LBP Million</i>	<i>Stage 2</i> <i>LBP Million</i>	<i>Stage 3</i> <i>LBP Million</i>	<i>Total</i> <i>LBP Million</i>
At 1 January 2024	-	2,728,114	-	2,728,114
Foreign exchange difference	-	13,500,449	-	13,500,449
Balance at 31 December 2024	-	16,228,563	-	16,228,563

	<i>Stage 1</i> <i>LBP Million</i>	<i>Stage 2</i> <i>LBP Million</i>	<i>Stage 3</i> <i>LBP Million</i>	<i>Total</i> <i>LBP Million</i>
At 1 January 2023	360	228,094	-	228,454
Net re-measurements and reallocations	-	452,629	-	452,629
Related to discontinued operations	(551)	-	-	(551)
Transfer to assets held for sale	191	-	-	191
Foreign exchange difference	-	2,047,391	-	2,047,391
Balance at 31 December 2023	-	2,728,114	-	2,728,114

Net re-measurements and reallocations include re-measurements as a result of changes in the size of portfolios, reclassifications between stages and risk parameter changes.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

52. CREDIT RISK (continued)

52.3. Analysis of Risk Concentrations (continued)

52.3.2. Industrial Analysis

The Group controls credit risk by maintaining close monitoring credit of its assets exposures by industry sector. The distribution of financial assets by industry sector as of 31 December is as follows:

	2024									
	Financial Services and Brokerage LBP Million	Government LBP Million	Consumers LBP Million	Retail and Wholesale LBP Million	Construction and Materials LBP Million	Manufacturing LBP Million	Energy and Petroleum LBP Million	Services and Utilities LBP Million	Agriculture LBP Million	Total LBP Million
Balances with central banks	-	855,636,450	-	-	-	-	-	-	-	855,636,450
Due from banks and financial institutions	149,978,644	-	-	-	-	-	-	-	-	149,978,644
Derivative financial instruments	1,029,290	-	-	105,094	-	-	-	-	-	1,134,384
Financial assets at fair value through profit or loss	-	10,929,075	-	-	-	-	-	-	-	10,929,075
Loans and advances to customers at amortised cost	5,322,120	5,172	53,285,796	12,957,048	2,645,954	5,050,136	2,533,255	3,795,249	201,669	85,796,399
Loans and advances to related parties at amortised cost	157,293	-	204,555	-	-	-	-	-	-	361,848
Debtors by acceptances	38,702	-	-	445,318	30,421	121,019	-	-	-	635,460
Financial assets at amortised cost	12,570,439	91,381,977	4,016,603	-	-	3,362,785	-	1,240,523	-	112,572,327
Financial assets at fair value through other comprehensive income	17,702,188	519,547	-	-	-	229,189	-	71,120	-	18,522,044
Other assets	5,140,450	-	64,100	-	-	-	-	-	-	5,204,550
	191,939,126	958,472,221	57,571,054	13,507,460	2,676,375	8,763,129	2,533,255	5,106,892	201,669	1,240,771,181

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At 31 December 2024

52. CREDIT RISK (continued)

52.3. Analysis of Risk Concentrations (continued)

52.3.2. Industrial Analysis (continued)

	2023									
	Financial Services and Brokerage LBP Million	Government LBP Million	Consumers LBP Million	Retail and Wholesale LBP Million	Construction and Materials LBP Million	Manufacturing LBP Million	Energy and Petroleum LBP Million	Services and Utilities LBP Million	Agriculture LBP Million	Total LBP Million
Balances with central banks	-	145,871,395	-	-	-	-	-	-	-	145,871,395
Due from banks and financial institutions	24,847,986	-	-	-	-	-	-	-	-	24,847,986
Derivative financial instruments	442,476	-	-	10,051	-	-	-	-	-	452,527
Financial assets at fair value through profit or loss	1,509,348	2,488,891	-	-	-	-	-	-	-	3,998,239
Loans and advances to customers at amortised cost	1,454,283	38,983	8,788,744	2,003,043	280,567	951,203	553,393	987,205	108,162	15,165,583
Loans and advances to related parties at amortised cost	532,027	-	35,799	-	-	-	-	7,225	-	575,051
Debtors by acceptances	7,154	-	-	242,894	-	-	-	-	-	250,048
Financial assets at amortised cost	1,656,493	16,528,378	641,901	-	-	322,262	-	76,598	-	19,225,632
Financial assets at fair value through other comprehensive income	15,046	118,268	-	-	-	29,927	-	22,853	-	186,094
Other assets	821,121	-	13,572	-	-	-	-	-	-	834,693
	31,285,934	165,045,915	9,480,016	2,255,988	280,567	1,303,392	553,393	1,093,881	108,162	211,407,248

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At 31 December 2024

52. CREDIT RISK (continued)**52.4. Credit Quality**

The Group assesses the quality of its credit portfolio using the following credit rating methodologies:

- (i) External ratings from approved credit rating agencies for fixed income instruments and financial institutions exposures.
- (ii) Internal rating models that take into account both financial and non-financial information such as management quality, operating environment and company standing. The Group has developed specific internal rating models for Corporate, SME and Individual borrowers.
- (iii) Supervisory classifications, comprising six main categories: (a) *Regular* includes borrowers demonstrating good to excellent financial condition, risk factors, and capacity to repay. These borrowers display regular and timely payment of their dues, adequacy of cash flows, timely presentation of financial statements, and sufficient collateral/guarantee when required. (b) *Follow-up* categorization occurs for a borrower when either up-to-date documentation of financial activities is missing or when inconsistencies emerge between the loan facilities provided and their outlined terms and conditions. (c) *Follow-up and regularisation* includes creditworthy borrowers requiring close monitoring without being impaired. These borrowers usually demonstrate some signs of credit weaknesses (such as insufficient or inadequate cash flows, high leverage ratio, excess facility utilisation, multiple loan rescheduling since initiation), or operate under deteriorating economic or geographic conditions. (d) *Substandard loans* include borrowers showing clear signs of inability to repay their facilities on time due to financial difficulties (e.g. hard core accounts or weak cash generation capacity). (e) *Doubtful loans* where full repayment is questioned even after liquidation of collateral, when applicable. It also includes loans with past-dues for over 6 months and debtors who are unable to repay their restructured facilities. Finally, (f) *bad loans* which relate to obligors with no or little prospects of repayment from their business activities or through assets liquidation. This category also includes borrowers with significant payment delays and/or deemed insolvent.

Sovereign and Banks and Financial Institutions

External Rating Grade	Credit Quality Description
AA+, AA, AA-	High
A+, A, A-	High
BBB+, BBB, BBB-	Standard
BB+, BB, BB-	Standard
B+, B, B-	Weak
CCC+, CCC, CCC-	Weak
CC, C, D	Credit-impaired

Non-retail Loans

Internal Rating Grade	Credit Quality Description
Performing	
1	High
2	High
3	High
4	Standard
5	Standard
6	Standard
7	Weak
Non-performing	
8	Credit-impaired
9	Credit-impaired
10	Credit-impaired

The internal rating grade is based on the obligor risk rating (which is mapped to PD) and therefore does not incorporate facility risk characteristics and structure such as the existence of credit risk mitigants (impacting therefore LGD). For this reason, an obligor risk rating can be mapped to various supervisory classifications depending on the expected credit loss level.

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At 31 December 2024

52. CREDIT RISK (continued)

52.4. Credit Quality (continued)

Retail

Internal Rating Grade	Credit Quality Description
Performing	
B0 (0 days past due)	High
B1 (1 to 30 days past due)	Standard
B2 (31 to 60 days past due)	Standard
B3 (61 to 90 days past due)	Weak
Non-performing	
B4 –B6 (91 to 180 days past due)	Credit-impaired
B7 – B12 (181 days to 360 days past due)	Credit-impaired
B13 (more than 360 days past due)	Credit-impaired

The credit quality descriptions can be summarised as follows:

- *High*: there is a very high likelihood that the asset will be recovered in full. Counterparties in this category demonstrate a strong ability and willingness to fulfill their obligations on due time.
- *Standard*: there is a high likelihood that the asset will be recovered in full. The lower end of this category includes borrowers in their early stages of delinquency, suggesting a potential reduction in their ability to repay their obligations.
- *Weak*: there is a concern on the obligor's ability to make payments when due. However, this has not materialised yet in an event of default. A borrower in this category is now under close monitoring and follow-up process, continues to repay his dues, albeit with some delays. Under this category, there is increasing likelihood of loss.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

52. CREDIT RISK (continued)

52.4. Credit Quality (continued)

The table below shows the credit quality of the Group's financial instruments and balances due from banks and financial institutions as per external ratings.

	2024										Grand Total LBP Million	
	Sovereign and Central Banks					Non-sovereign						
	AAA to AA- LBP Million	A+ to BBB- LBP Million	BB+ to B- LBP Million	Below B- LBP Million	Total LBP Million	AAA to AA- LBP Million	A+ to BBB- LBP Million	BB+ to B- LBP Million	Unrated LBP Million	Total LBP Million		
Balances with central banks	36,657,218	-	-	-	818,979,232	855,636,450	65,287,594	83,838,529	9,446	843,075	149,978,644	855,636,450
Due from banks and financial institutions	-	-	-	-	-	-	-	-	-	-	-	149,978,644
Financial assets at fair value through profit or loss	3,481,835	-	7,447,240	-	10,929,075	7,942,949	13,247,401	-	-	-	21,190,350	10,929,075
Financial assets at amortised cost	30,119,517	914,465	-	2,041,628	58,306,367	91,381,977	-	-	-	-	-	112,572,327
Financial assets at fair value through other comprehensive income	519,688	-	-	-	519,688	1,082,635	16,919,721	-	-	-	18,002,356	18,522,044
	70,778,258	914,465	9,488,868	877,285,599	958,467,190	74,313,178	114,005,651	9,446	843,075	189,171,350	1,147,638,540	
	2023										Grand Total LBP Million	
	Sovereign and Central Banks					Non-sovereign						
	AAA to AA- LBP Million	A+ to BBB- LBP Million	BB+ to B- LBP Million	Below B- LBP Million	Total LBP Million	AAA to AA- LBP Million	A+ to BBB- LBP Million	BB+ to B- LBP Million	Unrated LBP Million	Total LBP Million		
Balances with central banks	5,250,814	-	-	-	140,620,581	145,871,395	12,006,988	12,313,612	16	527,370	24,847,986	145,871,395
Due from banks and financial institutions	-	-	-	-	-	-	-	-	-	-	-	24,847,986
Financial assets at fair value through profit or loss	2,321,096	157,812	167,795	2,440,423	10,231,594	1,509,348	832,071	-	-	1,509,348	3,998,239	3,998,239
Financial assets at amortised cost	3,698,549	-	-	-	16,528,378	1,865,183	-	-	-	2,697,254	19,225,632	19,225,632
Financial assets at fair value through other comprehensive income	118,268	-	-	-	118,268	15,046	52,780	-	-	67,826	186,094	186,094
	11,388,727	157,812	2,608,218	150,852,175	165,006,932	15,396,565	13,198,463	16	527,370	29,122,414	194,129,346	

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At 31 December 2024

52. CREDIT RISK (continued)

52.4. Credit Quality (continued)

The table below shows the credit quality of the Group's loans and advances to customers based credit quality segment and stage classification.

	2024			
	Stage 1 LBP Million	Stage 2 LBP Million	Stage 3 LBP Million	Total LBP Million
Loans and advances to customers at amortised cost	78,264,067	6,335,533	22,449,488	107,049,088
<i>Corporate and SMEs</i>	<i>25,992,459</i>	<i>6,256,829</i>	<i>16,111,773</i>	<i>48,361,061</i>
<i>Performing</i>				
High	243,604	144,941	-	388,545
Standard	25,628,904	5,008,608	-	30,637,512
Weak	119,951	1,103,280	-	1,223,231
<i>Non-performing</i>				
Credit-impaired	-	-	16,111,773	16,111,773
Retail and Private Banking	52,271,608	76,213	5,009,351	57,357,172
<i>Performing</i>				
High	42,766,593	-	-	42,766,593
Standard	9,505,015	65,687	-	9,570,702
Weak	-	10,526	-	10,526
<i>Non-performing</i>				
Credit-impaired	-	-	5,009,351	5,009,351
Public sector	-	2,491	1,328,364	1,330,855
<i>Performing</i>				
Weak	-	2,491	-	2,491
<i>Non-performing</i>				
Credit-impaired	-	-	1,328,364	1,328,364
Loans and advances to related parties at amortised cost	361,848	-	-	361,848
<i>Performing</i>				
High	361,848	-	-	361,848
Off-balance sheet loan commitments and financial guarantee contracts	33,941,016	651,374	504,694	35,097,084
<i>Performing</i>				
High	6,995,106	6,442	-	7,001,548
Standard	26,863,673	247,800	-	27,111,473
Weak	82,237	397,132	-	479,369
<i>Non-performing</i>				
Credit-impaired	-	-	504,694	504,694
Total	112,566,931	6,986,907	22,954,182	142,508,020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

52. CREDIT RISK (continued)

52.4. Credit Quality (continued)

	2023			
	Stage 1 LBP Million	Stage 2 LBP Million	Stage 3 LBP Million	Total LBP Million
Loans and advances to customers at amortised cost	13,947,179	592,270	5,273,895	19,813,344
<i>Corporate and SMEs</i>	5,351,865	535,292	3,387,165	9,274,322
<i>Performing</i>				
High	898,293	41	-	898,334
Standard	4,334,166	196,308	-	4,530,474
Weak	119,406	338,943	-	458,349
<i>Non-performing</i>				
Credit-impaired	-	-	3,387,165	3,387,165
<i>Retail and Private Banking</i>	8,595,306	54,837	1,563,485	10,213,628
<i>Performing</i>				
High	5,529,827	-	-	5,529,827
Standard	2,995,467	26,109	-	3,021,576
Weak	70,012	28,728	-	98,740
<i>Non-performing</i>				
Credit-impaired	-	-	1,563,485	1,563,485
<i>Public sector</i>	8	2,141	323,245	325,394
<i>Performing</i>				
High	8	-	-	8
Weak	-	2,141	-	2,141
<i>Non-performing</i>				
Credit-impaired	-	-	323,245	323,245
Loans and advances to related parties at amortised cost	575,062	-	-	575,062
<i>Performing</i>				
High	575,062	-	-	575,062
Off-balance sheet loan commitments and financial guarantee contracts	5,674,921	150,489	84,586	5,909,996
<i>Performing</i>				
High	1,036,201	-	-	1,036,201
Standard	4,605,285	31,061	-	4,636,346
Weak	33,435	119,428	-	152,863
<i>Non-performing</i>				
Credit-impaired	-	-	84,586	84,586
Total	20,197,162	742,759	5,358,481	26,298,402

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

52. CREDIT RISK (continued)

52.5. Maximum Exposure to Credit Risk and Collateral and Other Credit Enhancements

The following table shows the maximum exposure to credit risk by class of financial asset. It further shows the total fair value of collateral, capped to the maximum exposure to which it relates and the net exposure to credit risk.

	2024									
	Maximum Exposure LBP Million	Cash Collateral and Margins LBP Million	Securities LBP Million	Guarantees Received from Banks and Financial Institutions LBP Million	Real Estate LBP Million	Vehicles LBP Million	Other Guarantees LBP Million	Risk Transfer LBP Million	Net Credit Exposure LBP Million	
Balances with central banks	855,636,450	-	-	-	-	-	-	-	855,636,450	
Due from banks and financial institutions	149,978,644	-	-	-	-	-	-	-	149,978,644	
Derivative financial instruments	1,134,384	-	-	-	-	-	-	-	1,134,384	
Financial assets at fair value through profit or loss	10,929,075	-	-	-	-	-	-	-	10,929,075	
Loans and advances to customers at amortised cost	85,796,399	13,104,083	34,737,923	39,532	13,120,125	3,783	411,362	-	24,379,591	
Corporates and SME	32,156,392	4,453,300	2,624,343	39,435	4,829,550	1,960	226,534	-	19,981,270	
Retail and Personal Banking	53,639,003	8,650,783	32,113,580	97	8,290,575	1,823	184,828	-	4,397,317	
Public sector	1,004	-	-	-	-	-	-	-	1,004	
Loans and advances to related parties at amortised cost	361,848	157,117	-	-	192,412	-	-	-	12,319	
Debtors by acceptances	635,460	111,449	-	-	-	-	-	-	524,011	
Financial assets at amortised cost	112,572,327	-	-	-	-	-	-	-	111,657,354	
Financial assets at fair value through other comprehensive income	18,522,044	-	-	-	-	-	914,973	-	18,522,044	
Other assets	5,204,550	-	-	-	-	-	-	-	5,204,550	
Contingent liabilities	27,025,437	5,308,101	393,236	247,308	25,744	9	298,515	-	20,752,524	
Letters of credit	11,182,913	1,297,329	-	-	-	-	-	-	9,885,584	
Financial guarantee given to banks and financial institutions	168,464	-	-	-	-	-	-	-	168,464	
Financial guarantee given to customers	15,674,060	4,010,772	393,236	247,308	25,744	9	298,515	-	10,698,476	
Total	1,267,796,618	18,680,750	35,131,159	286,840	13,338,281	3,792	709,877	914,973	1,198,730,946	
Guarantees received from banks, financial institutions and customers										
Utilised collateral		18,680,750	35,131,159	286,840	13,338,281	3,792	709,877		68,156,699	
Surplus of collateral before undrawn credit lines		34,288,052	141,806,521	381,255	26,113,294	1,429,003	17,906,305		221,924,430	
		52,968,802	176,937,680	668,095	39,451,575	1,432,795	18,616,182		290,075,129	

The surplus of collateral mentioned above is presented before offsetting additional credit commitments given to customers amounting to LBP 29,814,859 million as at 31 December 2024.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

52. CREDIT RISK (continued)

52.5. Maximum Exposure to Credit Risk and Collateral and Other Credit Enhancements (continued)

	2023								
	Maximum Exposure LBP Million	Cash Collateral and Margins LBP Million	Securities LBP Million	Guarantees Received from Banks and Financial Institutions LBP Million	Real Estate LBP Million	Vehicles LBP Million	Other Guarantees LBP Million	Risk Transfer LBP Million	Net Credit Exposure LBP Million
Balances with central banks	145,871,395	-	-	-	-	-	-	-	145,871,395
Due from banks and financial institutions	24,847,986	-	-	-	-	-	-	-	24,847,986
Derivative financial instruments	452,527	-	-	-	-	-	-	-	452,527
Financial assets at fair value through profit or loss	3,998,239	-	-	-	-	-	-	-	3,998,239
Loans and advances to customers at amortised cost	15,165,583	1,603,505	5,071,974	18,185	2,716,916	3,095	169,382	-	5,582,526
Corporate and SME	6,280,290	555,737	169,898	18,116	860,572	2,190	122,131	-	4,551,646
Retail and Personal Banking	8,850,139	1,047,768	4,902,076	69	1,856,344	905	47,251	-	995,726
Public sector	35,154	-	-	-	-	-	-	-	35,154
Loans and advances to related parties at amortised cost	575,051	531,050	-	-	2,949	-	-	-	41,052
Debtors by acceptances	250,048	66,705	-	-	-	-	-	-	183,343
Financial assets at amortised cost	19,225,632	-	-	-	-	-	-	156,602	19,069,030
Financial assets at fair value through other comprehensive income	186,094	-	-	-	-	-	-	-	186,094
Other assets	834,693	-	-	-	-	-	-	-	834,693
Contingent liabilities	4,125,688	221,091	71,651	210,205	4,490	20	115,555	-	3,502,676
Letters of credit	2,228,704	17,958	-	183,916	-	-	-	-	2,026,830
Financial guarantee given to banks and financial institutions	29,614	-	-	-	-	-	-	-	29,614
Financial guarantee given to customers	1,867,370	203,133	71,651	26,289	4,490	20	115,555	-	1,446,232
Total	215,532,936	2,422,351	5,143,625	228,390	2,724,355	3,115	284,937	156,602	204,569,561
Guarantees received from banks, financial institutions and customers									
Utilised collateral		2,422,351	5,143,625	228,390	2,724,355	3,115	284,937		10,806,773
Surplus of collateral before undrawn credit lines		5,086,124	20,508,116	127,737	5,813,645	290,951	4,219,371		36,045,944
		7,508,475	25,651,741	356,127	8,538,000	294,066	4,504,308		46,852,717

The surplus of collateral mentioned above is presented before offsetting additional credit commitments given to customers amounting to LBP 4,211,514 million as at 31 December 2023.

52. CREDIT RISK (continued)

52.5. Maximum Exposure to Credit Risk and Collateral and Other Credit Enhancements (continued)

Collateral and Other Credit Enhancements

The Group obtains collaterals during its lending activities as a protection against potential losses that may result when borrowers default on their credit obligations. The amount and type of collateral required depend usually on the obligor's creditworthiness. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Management monitors the market value of a received collateral on a regular basis and requests additional collateral in accordance with the underlying agreement when deemed necessary.

The main types of collateral obtained are as follows:

- *Securities*: the balances shown represent the fair value of the securities.
- *Letters of credit/guarantees*: the Group holds in some cases guarantees, letters of credit and similar instruments from banks and financial institutions, which enable it to claim settlement in the event of default on the part of the counterparty. The balances shown represent the notional amount of these types of guarantees held by the Group.
- *Real estate (commercial and residential)*: the Group holds, in some cases, a first-degree mortgage over residential property (for housing loans) and commercial property (for commercial loans). The value shown reflects the fair value of the property limited to the related mortgaged amount.
- *Netting agreements*: the Group makes use of netting agreements and other arrangements not eligible for netting under *IAS 32 Financial Instruments: Presentation*, with its counterparties. Such arrangements provide for net settlement of all financial instruments covered by the agreements in the event of default. Although these netting arrangements do not normally result in an offset of balance sheet assets and liabilities (as the conditions for offsetting under IAS 32 may not apply), they nevertheless reduce the Group's exposure to credit risk outstanding amounts of such contracts.

In addition to the above, the Group also obtains corporate guarantees from parent companies for loans to their subsidiaries, personal guarantees from shareholders of the borrowing company and assignments of insurance or bills proceeds and revenues, which are not reflected in the above table.

53. MARKET RISK

Market risk is defined as the potential loss in both on-balance sheet and off-balance sheet positions resulting from movements in market risk factors such as foreign exchange rates, interest rates and equity prices.

The responsibilities of the Market Risk function are to identify, measure, monitor, control and report the market risk profile. This is achieved by efficiently applying a robust risk management framework across treasury, investment portfolio, and asset and liability activities. This involves the use of uniform and thorough risk management tools and methodologies. The Group monitors the risk profile generated by these activities in order to ensure that it remains aligned with the approved risk policies and limits.

The Group conducts stress tests on a regular basis using various scenarios and assumptions that are deemed plausible and relevant in line with its business model and operating environment.

A. 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, fluctuations in interest rates and exchange rate volatility in general. The Group is subject to currency risk on financial assets and liabilities that are denominated in currencies other than the Lebanese Pound. Most of these financial assets and liabilities are in US Dollars, Euros and Turkish Liras. The Group has also exposure to foreign currency risk through its subsidiaries that have a functional currency other than Lebanese Pounds.

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53. MARKET RISK (continued)

A. CURRENCY RISK (continued)

As disclosed in Note 1.3, the Group's assets and liabilities in foreign currencies are valued at the official published exchange rate which does not always represent a reasonable estimate of cash flows in Lebanese Pounds that would have to be generated/used from the realisation of such assets or the payment of such liabilities.

The following tables present the breakdown of assets and liabilities of the Group by currency.

	2024					
	LBP LBP Million	USD LBP Million	EUR LBP Million	TRY LBP Million	Other LBP Million	Total LBP Million
Assets						
Cash and balances with central banks	4,203,212	784,760,617	59,724,714	-	16,375,999	865,064,542
Due from banks and financial institutions	132,790	123,012,258	7,966,401	2,148	18,865,047	149,978,644
Derivative financial instruments	-	86,781	457,807	-	589,796	1,134,384
Financial assets at fair value through profit or loss	6,013	12,343,951	-	-	249,378	12,599,342
Loans and advances to customers at amortised cost	354,426	42,867,205	25,326,285	131	17,248,352	85,796,399
Loans and advances to related parties at amortised cost	2,740	350,994	7,994	-	120	361,848
Debtors by acceptances	-	161,632	443,407	-	30,421	635,460
Financial assets at amortised cost	2,043,742	82,418,537	28,110,048	-	-	112,572,327
Financial assets at fair value through other comprehensive income	11,179,692	19,030,532	61,301	-	244,537	30,516,062
Property and equipment and right-of-use assets	18,646,602	3,962	425,756	-	3,520,307	22,596,627
Intangible assets	121,026	-	72,479	-	107,892	301,397
Assets obtained in settlement of debt	2,686	95,782	-	-	-	98,468
Other assets	369,437	4,548,795	580,354	-	487,451	5,986,037
Deferred tax assets	107	-	463,376	-	44,511	507,994
Goodwill	-	-	-	-	2,748,350	2,748,350
Assets held for sale	-	43,728,038	52,715,614	99,998,159	4,186,640	200,628,451
Total assets	37,062,473	1,113,409,084	176,355,536	100,000,438	64,698,801	1,491,526,332
Liabilities and shareholders' equity						
Due to central banks	2,282,189	536,875	4,804	-	-	2,823,868
Due to banks and financial institutions	16,761	12,662,162	622,616	-	10,237,388	23,538,927
Derivative financial instruments	-	157,422	429,813	56	526,743	1,114,034
Customers' deposits	5,956,274	974,317,243	102,207,530	4,788	25,230,424	1,107,716,259
Deposits from related parties	9,930	3,161,332	319,460	4,315	42,293	3,537,330
Debt issued and other borrowed funds	-	23,953,218	-	-	-	23,953,218
Engagements by acceptances	-	161,632	443,407	-	30,421	635,460
Other liabilities	1,825,630	13,417,949	1,386,166	-	1,677,635	18,307,380
Deferred tax liabilities	1,909,485	-	-	-	31,321	1,940,806
Current tax liability	1,239,754	100	6,758	-	278,568	1,525,180
Provisions for risks and charges	13,850,403	22,482,810	1,004,673	-	1,729,453	39,067,339
Liabilities held for sale	-	67,177,861	11,546,393	75,185,395	28,007,081	181,916,730
Shareholders' equity	18,316,678	21,271,013	9,382,616	12,627,973	23,851,521	85,449,801
Total liabilities and shareholders' equity	45,407,104	1,139,299,617	127,354,236	87,822,527	91,642,848	1,491,526,332

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

53. MARKET RISK (continued)

A. CURRENCY RISK (continued)

	2023					
	LBP LBP Million	USD LBP Million	EUR LBP Million	TRY LBP Million	Other LBP Million	Total LBP Million
Assets						
Cash and balances with central banks	2,865,574	133,271,707	11,542,272	-	790,167	148,469,720
Due from banks and financial institutions	54,739	21,014,716	986,585	26	2,791,920	24,847,986
Derivative financial instruments	-	184,057	115,096	22	153,352	452,527
Financial assets at fair value through profit or loss	1,008	2,830,787	-	-	1,526,745	4,358,540
Loans and advances to customers at amortised cost	922,069	7,555,119	4,857,615	27	1,830,753	15,165,583
Loans and advances to related parties at amortised cost	3,308	564,102	7,641	-	-	575,051
Debtors by acceptances	-	152,433	93,069	-	4,546	250,048
Financial assets at amortised cost	2,110,491	16,115,529	999,612	-	-	19,225,632
Financial assets at fair value through other comprehensive income	1,686,197	282,776	12,620	-	43,680	2,025,273
Investment in an associate	-	141,155	-	-	-	141,155
Property and equipment and right-of-use assets	17,774,966	664	89,666	-	659,069	18,524,365
Intangible assets	35,967	-	9,158	-	17,709	62,834
Assets obtained in settlement of debt	2,686	95,782	-	-	-	98,468
Other assets	265,733	681,017	82,496	10	123,441	1,152,697
Deferred tax assets	19,308	396	70,883	-	7,600	98,187
Goodwill	-	-	-	-	497,030	497,030
Assets held for sale	-	10,561,084	8,819,904	22,858,921	301,347	42,541,256
Total assets	25,742,046	193,451,324	27,686,617	22,859,006	8,747,359	278,486,352
Liabilities and shareholders' equity						
Due to central banks	2,350,868	177,923	420	-	-	2,529,211
Due to banks and financial institutions	8,899	2,465,419	136,402	-	216,039	2,826,759
Derivative financial instruments	-	18,045	107,076	-	187,816	312,937
Customers' deposits	5,868,831	164,536,819	16,744,726	1,674	3,613,571	190,765,621
Deposits from related parties	8,327	913,665	390,558	868	6,138	1,319,556
Debt issued and other borrowed funds	-	4,063,130	-	-	-	4,063,130
Engagements by acceptances	-	152,433	93,069	-	4,546	250,048
Other liabilities	1,752,711	3,486,596	274,314	-	298,964	5,812,585
Deferred tax liabilities	298,563	-	-	-	12,263	310,826
Current tax liability	118,119	-	128,543	-	22,541	269,203
Provisions for risks and charges	2,549,089	1,639,094	8,330	-	322,528	4,519,041
Liabilities held for sale	-	13,176,154	2,611,660	18,984,720	4,658,323	39,430,857
Shareholders' equity	13,451,769	5,932,356	1,405,925	1,399,589	3,886,939	26,076,578
Total liabilities and shareholders' equity	26,407,176	196,561,634	21,901,023	20,386,851	13,229,668	278,486,352

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

53. MARKET RISK (continued)

B. INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair value of financial instruments. The Group is exposed to interest rate risk as a result of mismatches of interest rate repricing of assets and liabilities. Positions are monitored on a regular basis by Management and, whenever possible, hedging strategies are used to ensure positions are maintained within established limits.

The table below shows the sensitivity of interest income to 1% parallel changes in interest rates, all other variables being held constant.

The impact of interest rate changes on net interest income is due to assumed changes in interest paid and received on floating rate financial assets and liabilities and to the reinvestment or refunding of fixed rated financial assets and liabilities at the assumed rates. Given the prolonged nature of the Lebanese crisis and related high level of uncertainties, the Group expects the low interest rates environment for the local currency (or equivalent) to continue prevailing in Lebanon during 2024. The Group is also unable to determine what would be a reasonably possible change in interest rates. The Central Bank of Lebanon has already decreased interest rates used by the Lebanese banking sector through its various intermediate circulars.

The change in interest income is calculated over a 1-year period while the effect of any future associated hedges that can be implemented by the Group is not accounted for.

		<i>2024</i>	<i>2023</i>
	<i>Decrease in Basis Points</i>	<i>LBP Million Decrease</i>	<i>LBP Million Decrease</i>
LBP	- 100	42,328	45,518
USD	- 100	3,662,189	756,284
EUR	- 100	25,827	(5,721)

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At 31 December 2024

53. MARKET RISK (continued)

B. INTEREST RATE RISK (continued)

The Group's interest sensitivity position based on contractual repricing arrangements is shown in the table below. The expected repricing and maturity dates may differ significantly from the contractual dates, particularly with regard to the maturity of customers' demand deposits.

	2024								
	Up to 1 Month LBP Million	1 to 3 Months LBP Million	3 Months to 1 Year LBP Million	Total Less than 1 Year LBP Million	1 to 5 Years LBP Million	Over 5 Years LBP Million	Total More than 1 Year LBP Million	Non-interest Bearing LBP Million	Total LBP Million
Assets									
Cash and balances with central banks	480,552,841	36,857,994	-	517,410,835	336,373,076	-	336,373,076	11,280,631	865,064,542
Due from banks and financial institutions	104,774,690	16,139,542	26,465,220	147,379,452	984,613	-	984,613	1,614,579	149,978,644
Derivative financial instruments	1,134,384	-	-	1,134,384	-	-	-	-	1,134,384
Financial assets at fair value through profit or loss	10,929,075	-	-	10,929,075	-	-	-	1,670,267	12,599,342
Loans and advances to customers at amortised cost	39,646,850	25,894,947	17,639,273	83,181,070	1,817,230	290,461	2,107,691	507,638	85,796,399
Loans and advances to related parties at amortised cost	494	4,599	17,944	23,037	287,048	49,052	336,100	2,711	361,848
Financial assets at amortised cost	2,313,815	6,932,526	19,321,448	28,567,789	83,347,435	-	83,347,435	657,103	112,572,327
Financial assets at fair value through other comprehensive income	-	-	4,011,008	4,011,008	14,301,209	-	14,301,209	12,203,845	30,516,062
Total assets	639,352,149	85,829,608	67,454,893	792,636,650	437,110,611	339,513	437,450,124	27,936,774	1,258,023,548
Liabilities									
Due to central banks	47,786	85,782	156,902	290,470	2,402,707	120,250	2,522,957	10,441	2,823,868
Due to banks and financial institutions	17,007,921	66,058	819,334	17,893,313	4,015,232	1,630,333	5,645,565	49	23,538,927
Derivative financial instruments	1,113,874	-	-	1,113,874	-	-	-	160	1,114,034
Customers' deposits	1,021,076,964	46,556,117	36,656,215	1,104,289,296	1,150,698	1,770,383	2,921,081	505,882	1,107,716,259
Deposits from related parties	3,250,698	95,235	23,589	3,369,522	157,683	5,099	162,782	5,026	3,537,330
Debt issued & other borrowed funds	-	-	13,425,000	13,425,000	10,428,472	-	10,428,472	99,746	23,953,218
Lease liabilities	-	20,552	58,859	79,411	375,084	-	375,084	-	454,495
Total liabilities	1,042,497,243	46,823,744	51,139,899	1,140,460,886	18,529,876	3,526,065	22,055,941	621,304	1,163,138,131
Interest rate sensitivity gap	(403,145,094)	39,005,864	16,314,994	418,580,735	418,580,735	(3,186,552)	(3,186,552)		
Cumulative gap	(403,145,094)	(364,139,230)	(347,824,236)		70,756,499		67,569,947		

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

53. MARKET RISK (continued)

B. INTEREST RATE RISK (continued)

	2023								
	Up to 1 Month LBP Million	1 to 3 Months LBP Million	3 Months to 1 Year LBP Million	Total Less than 1 Year LBP Million	1 to 5 Years LBP Million	Over 5 Years LBP Million	Total More than 1 Year LBP Million	Non-interest Bearing LBP Million	Total LBP Million
Assets									
Cash and balances with central banks	73,216,808	3,089,711	4,046,050	80,352,569	26,233,120	38,474,262	64,707,382	3,409,769	148,469,720
Due from banks and financial institutions	16,788,789	3,154,471	4,750,343	24,673,603	-	-	-	174,383	24,847,986
Loans to banks and financial institutions and reverse repurchase agreements	-	-	-	-	-	-	-	-	-
Derivative financial instruments	451,980	-	-	451,980	-	-	-	547	452,527
Financial assets at fair value through profit or loss	3,998,240	-	-	3,998,240	-	-	-	360,300	4,358,540
Loans and advances to customers at amortised cost	5,322,177	6,426,737	2,858,710	14,607,624	399,348	60,836	460,184	97,775	15,165,583
Loans and advances to related parties at amortised cost	873	539,210	2,188	542,271	19,548	13,047	32,595	185	575,051
Financial assets at amortised cost	589,103	2,976,164	1,960,911	5,526,178	7,956,058	5,560,359	13,516,417	183,037	19,225,632
Financial assets at fair value through other comprehensive income	82,843	15,358	29,927	128,128	57,966	-	57,966	1,839,179	2,025,273
Total assets	100,430,813	16,201,651	13,648,129	130,280,593	34,666,040	44,108,504	78,774,544	6,065,175	215,120,312
Liabilities									
Due to central banks	8,251	23,915	98,407	130,573	2,262,391	126,166	2,388,557	10,081	2,529,211
Due to banks and financial institutions	1,547,686	11,071	139,228	1,697,985	709,490	419,273	1,128,763	11	2,826,759
Derivative financial instruments	312,891	-	-	312,891	-	-	-	46	312,937
Customers' deposits	173,319,564	8,887,902	7,406,616	189,614,082	843,295	235,351	1,078,646	72,893	190,765,621
Deposits from related parties	606,515	704,794	7,315	1,318,624	83	782	865	67	1,319,556
Debt issued & other borrowed funds	-	-	2,250,000	2,250,000	1,736,160	-	1,736,160	76,970	4,063,130
Lease liabilities	2	3,708	11,195	14,905	60,750	26,716	87,466	-	102,371
Total liabilities	175,794,909	9,631,390	9,912,761	195,339,060	5,612,169	808,288	6,420,457	160,068	201,919,585
Interest rate sensitivity gap	(75,364,096)	6,570,261	3,735,368	(65,058,467)	29,053,871	43,300,216	(36,004,596)		
Cumulative gap	(75,364,096)	(68,793,835)	(65,058,467)			7,295,620			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

53. MARKET RISK (continued)

C. PREPAYMENT RISK

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier than expected. This is applicable for example on fixed rate loans when market interest rates fall.

In Lebanon and following the severe devaluation of the local currency in the parallel market and prevalence of multiple exchange rates, prepayment activities related to the lending portfolio have accelerated during the past years. However in view of the quasi-absence of any local interest rate benchmarks due to the crisis and given that the Bank in Lebanon prioritised the implementation of a de-risking strategy for loan exposures granted pre- October 2019, the Group considers the impact of prepayment risk resulting from these transactions to be negligible.

Outside Lebanon, market risks that lead to prepayments are not material with respect to the countries where the Group operates. Accordingly, the Group considers the impact of prepayment risk on net profits to be not material after considering any penalty fees received on prepayment activities, when existing.

D. EQUITY PRICE RISK

Equity price risk is the risk that the value of a portfolio will fall as a result of a change in stock prices. Risk factors underlying this type of market risk are a whole range of various equity (and index) prices corresponding to different markets (and currencies/maturities) in which the Group holds equity-related positions.

Given the Group's very low risk appetite for this type of risk and whenever equity exposures exist, the Group sets tight limits on such exposures and the types of equity instruments that traders are allowed to take positions in. Nevertheless, depending on the complexity of financial instruments, equity risk can be measured in terms of market value of a stock or index position, and also in terms of price sensitivities, such as the sensitivity of the value of a portfolio to changes in the underlying asset's price.

Equity price risk exposure arises from equity securities classified at fair value through other comprehensive income. A 5 percent increase in the value of the Group's equities at 31 December 2024 would have increased cumulative changes in fair value by LBP 557,882 million (2023: LBP 83,181 million). An equivalent decrease would have resulted in an equivalent but opposite impact.

54. LIQUIDITY RISK

Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due under both normal and stress circumstances.

The Group manages liquidity at each entity level independently while keeping oversight of intra-group dependencies, when existing. The Group recognizes that its ability to meet its liquidity requirements, including its international commitments, may come under increasing pressure under a deteriorating operating environment. Following October 2019 events, the Bank's foreign currency liquidity in Lebanon was subject to an unprecedented pressure, which led Management to implement a series of remedial measures to contain the address the challenge.

Monitoring Process

Due to the ongoing economic and financial crisis in Lebanon, Management has prioritized monitoring of international liquidity coverage relative to international commitments, including external accounts.

To support this activity, the Treasury function monitors and reports daily and intra-day inflows and outflows for major currencies and ensures that funding gaps are addressed. Separately, the Market Risk function conducts daily monitoring of international liquidity positions for major applicable currencies and regularly submits ALM Risk reports to ALCO showing changes in liquidity positions as well as the evolution of key internal and regulatory liquidity risk metrics.

The Board and BGRC receive updates on the liquidity risk profile of each banking unit at least quarterly.

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54. LIQUIDITY RISK (continued)**Monitoring Process (continued)***Liquidity Stress Tests*

The liquidity position is assessed under various scenarios, including simulation of Group-specific crisis and market-wide crises. The stress scenarios are applied to both on-balance sheet and off-balance sheet commitments to provide a comprehensive view of potential cash outflows.

Scenarios may include, among others, the following assumptions:

- Significant withdrawals of deposits.
- Significant withdrawals of undrawn and committed credit lines.
- Significant haircut on liquid assets.
- Significant reduction in assets that are eligible as collateral.

Liquidity Risk Policies

The Group has put in place policies and measures for monitoring and managing liquidity risk. These include setting up remedial actions to be taken in response to potential liquidity stress events. Among these policies is the Asset Liability Management (ALM) Risk Policy, which is reviewed by ALCO and submitted to the Board Risk Committee for review.

Liquidity Ratios

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general, and specifically to the Group. In Lebanon and since October 2019 events, the Group monitors on a regular basis the ratio of available international foreign currency liquidity to international commitments over various time horizons.

The Central Bank of Lebanon introduced several various requirements aiming at restoring the normal banking operations in Lebanon to their pre-October 2019 levels. Among these measures, Lebanese banks were requested to constitute, at its correspondent banks abroad, a foreign account free from any obligations that will be at no time below 3% of its total foreign-currency deposits as on 31 July 2024. Banks whose situation is incompatible with the provisions of the paragraph above are granted a time-limit ending on 31 December 2025 to adjust their situation accordingly. Additionally, Lebanese banks were required to maintain international liquidity in the form of banknotes and current account balances with foreign correspondent banks (free of any obligation) in excess of 100% of the external account deposits and other international commitments (including issued letter of credits and letter of guarantees in international dollar).

Sources of Funding

Customers' deposits were the main funding source of the Group as at 31 December 2024 and 2023. The distribution of sources and the maturity of deposits are actively monitored in order to avoid high concentration of deposits by maturity and size. The Group monitors the percentage of core deposits to total deposits and aims to maintain this percentage at a high level.

The Group stresses the importance of customers' deposits as source of funds to finance its lending activities. This is monitored by using the advances to deposits ratio which compares loans and advances to customers as a percentage of clients' deposits.

	<i>LBP</i>		<i>Foreign Currencies</i>	
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
	%	%	%	%
Year-end	6	16	8	8
Maximum	14	45	14	18
Minimum	6	16	7	8
Average	10	29	10	16

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

54. LIQUIDITY RISK (continued)

Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The table below summarises the maturity profile of the Group's financial assets and liabilities as of 31 December based on contractual undiscounted cash flows. The contractual maturities were determined based on the period remaining to reach maturity as per the statement of financial position's actual commitments. Repayments which are subject to notice are treated as if notice were to be given immediately.

	2024					Total LBP Million
	Less than 1 Month LBP Million	1 to 3 Months LBP Million	3 to 12 Months LBP Million	1 to 5 Years LBP Million	Over 5 Years LBP Million	
Financial assets						
Cash and balances with central banks	505,744,952	37,020,567	-	337,949,630	-	880,715,149
Due from banks and financial institutions	105,346,083	16,585,598	27,167,712	984,613	-	150,084,006
Derivative financial instruments	1,134,384	-	-	-	-	1,134,384
Financial assets at fair value through profit or loss	10,543,838	-	33,142	33,142	1,989,220	12,599,342
Loans and advances to customers at amortised cost	38,510,347	15,109,650	16,381,888	13,181,110	5,441,773	88,624,768
Loans and advances to related parties at amortised cost	493	87	22,285	289,210	49,773	361,848
Debtors by acceptances	148,007	436,264	12,646	-	38,543	635,460
Financial assets at amortised cost	2,458,211	7,001,760	20,141,113	86,927,422	-	116,528,506
Financial assets at fair value through other comprehensive income	-	-	4,033,028	14,489,016	11,994,018	30,516,062
Total financial assets	663,886,315	76,153,926	67,791,814	453,854,143	19,513,327	1,281,199,525
Financial liabilities						
Due to central banks	10,810	11,746	207,441	2,280,531	313,340	2,823,868
Due to banks and financial institutions	16,801,658	23	2,294	1,064,563	5,670,391	23,538,929
Derivative financial instruments	1,114,034	-	-	-	-	1,114,034
Customers' deposits	1,021,470,618	46,685,940	36,760,414	1,150,698	1,770,384	1,107,838,054
Deposits from related parties	3,262,171	95,235	23,589	157,683	5,099	3,543,777
Debt issued and other borrowed funds	13,425,000	-	-	10,528,218	-	23,953,218
Engagements by acceptances	148,007	436,264	12,646	-	38,543	635,460
Lease liabilities	-	20,552	58,859	375,084	-	454,495
Total financial liabilities	1,056,232,298	47,249,760	37,065,243	15,556,777	7,797,757	1,163,901,835
Net liquidity position	(392,345,983)	28,904,166	30,726,571	438,297,366	11,715,570	117,297,690
	2023					
	Less than 1 Month LBP Million	1 to 3 Months LBP Million	3 to 12 Months LBP Million	1 to 5 Years LBP Million	Over 5 Years LBP Million	Total LBP Million
Financial assets						
Cash and balances with central banks	76,022,718	3,466,444	3,939,897	30,862,946	47,389,868	161,681,873
Due from banks and financial institutions	16,983,783	3,077,801	4,952,094	-	-	25,013,678
Derivative financial instruments	452,527	-	-	-	-	452,527
Financial assets at fair value through profit or loss	3,998,238	-	-	-	360,302	4,358,540
Loans and advances to customers at amortised cost	4,719,310	4,681,006	2,396,296	3,065,111	1,416,820	16,278,543
Loans and advances to related parties at amortised cost	716	532,170	1,502	27,151	21,073	582,612
Debtors by acceptances	124,442	4,171	114,297	-	7,138	250,048
Financial assets at amortised cost	824,444	3,317,889	3,112,038	7,739,200	5,770,795	20,764,366
Financial assets at fair value through other comprehensive income	128,127	-	-	57,967	1,897,146	2,083,240
Total financial assets	103,254,305	15,079,481	14,516,124	41,752,375	56,863,142	231,465,427
Financial liabilities						
Due to central banks	9,916	27,650	106,811	2,441,069	133,258	2,718,704
Due to banks and financial institutions	1,547,696	11,071	139,229	709,490	419,273	2,826,759
Derivative financial instruments	312,937	-	-	-	-	312,937
Customers' deposits	173,403,766	8,896,343	7,412,300	885,032	267,027	190,864,468
Deposits from related parties	607,121	705,033	7,065	834	782	1,320,835
Debt issued and other borrowed funds	17,217	-	2,538,544	1,954,925	-	4,510,686
Engagements by acceptances	124,442	4,171	114,297	-	7,138	250,048
Lease liabilities	2	3,708	11,195	60,750	26,716	102,371
Total financial liabilities	176,023,097	9,647,976	10,329,441	6,052,100	854,194	202,906,808
Net liquidity position	(72,768,792)	5,431,505	4,186,683	35,700,275	56,008,948	28,558,619

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54. LIQUIDITY RISK (continued)

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

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

	2024				Total LBP Million
	Less than 3 Months LBP Million	3 to 12 Months LBP Million	1 to 5 Years LBP Million	More than 5 Years LBP Million	
Financial guarantees	12,881,591	2,749,002	211,931	-	15,842,524
Other guarantees	3,684,948	1,244,058	1,080,655	-	6,009,661
Documentary credits	8,222,522	2,865,555	94,836	-	11,182,913
Loan commitments	29,229,263	-	585,596	-	29,814,859
	<u>54,018,324</u>	<u>6,858,615</u>	<u>1,973,018</u>	<u>-</u>	<u>62,849,957</u>
	2023				
	Less than 3 Months LBP Million	3 to 12 Months LBP Million	1 to 5 Years LBP Million	More than 5 Years LBP Million	Total LBP Million
Financial guarantees	1,688,570	170,711	37,703	-	1,896,984
Other guarantees	799,770	286,133	175,580	-	1,261,483
Documentary credits	2,222,744	5,960	-	-	2,228,704
Loan commitments	3,985,691	16,643	209,180	-	4,211,514
	<u>8,696,775</u>	<u>479,447</u>	<u>422,463</u>	<u>-</u>	<u>9,598,685</u>

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54. LIQUIDITY RISK (continued)

Maturity Analysis of Assets and Liabilities

The table below summarises the maturity profile of the Group's assets and liabilities.

The maturity profile of the assets and liabilities at 31 December 2024 is as follows:

	<i>Less than 1 Year LBP Million</i>	<i>More than 1 Year LBP Million</i>	<i>Total LBP Million</i>
Assets			
Cash and balances with central banks	511,464,304	353,600,238	865,064,542
Due from banks and financial institutions	148,994,032	984,612	149,978,644
Derivative financial instruments	1,134,384	-	1,134,384
Financial assets at fair value through profit or loss	10,576,980	2,022,362	12,599,342
Loans and advances to customers at amortised cost	69,145,817	16,650,582	85,796,399
Loans and advances to related parties at amortised cost	22,865	338,983	361,848
Debtors by acceptances	596,917	38,543	635,460
Financial assets at amortised cost	28,660,255	83,912,072	112,572,327
Financial assets at fair value through other comprehensive income	4,033,028	26,483,034	30,516,062
Property and equipment and right-of-use assets	-	22,596,627	22,596,627
Intangible assets	-	301,397	301,397
Assets obtained in settlement of debt	-	98,468	98,468
Other assets	4,481,135	1,504,902	5,986,037
Deferred tax assets	-	507,994	507,994
Goodwill	-	2,748,350	2,748,350
Assets held for sale	113,172,329	87,456,122	200,628,451
Total assets	892,282,046	599,244,286	1,491,526,332
Liabilities and shareholders' equity			
Due to central banks	229,997	2,593,871	2,823,868
Due to banks and financial institutions	16,803,975	6,734,952	23,538,927
Derivative financial instruments	1,114,034	-	1,114,034
Customers' deposits	1,104,795,177	2,921,082	1,107,716,259
Deposits from related parties	3,374,548	162,782	3,537,330
Debt issued and other borrowed funds	13,425,000	10,528,218	23,953,218
Engagements by acceptances	596,917	38,543	635,460
Other liabilities	15,738,275	2,569,105	18,307,380
Current tax liability	1,525,180	-	1,525,180
Deferred tax liabilities	-	1,940,806	1,940,806
Provision for risks and charges	-	39,067,339	39,067,339
Liabilities held for sale	151,316,042	30,600,688	181,916,730
Shareholders' equity	-	85,449,801	85,449,801
Total liabilities and shareholders' equity	1,308,919,145	182,607,187	1,491,526,332

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At 31 December 2024

54. LIQUIDITY RISK – MATURITY PROFILE (continued)

Maturity Analysis of Assets and Liabilities (continued)

The maturity profile of the assets and liabilities at 31 December 2023 is as follows:

	<i>Less than 1 Year LBP Million</i>	<i>More than 1 Year LBP Million</i>	<i>Total LBP Million</i>
Assets			
Cash and balances with central banks	83,744,714	64,725,006	148,469,720
Due from banks and financial institutions	24,847,986	-	24,847,986
Derivative financial instruments	452,527	-	452,527
Financial assets at fair value through profit or loss	3,998,238	360,302	4,358,540
Loans and advances to customers at amortised cost	11,547,811	3,617,772	15,165,583
Loans and advances to related parties at amortised cost	534,041	41,010	575,051
Debtors by acceptances	242,910	7,138	250,048
Financial assets at amortised cost	6,924,111	12,301,521	19,225,632
Financial assets at fair value through other comprehensive income	128,127	1,897,146	2,025,273
Investment in an associate	-	141,155	141,155
Property and equipment and right-of-use assets	-	18,524,365	18,524,365
Intangible assets	-	62,834	62,834
Assets obtained in settlement of debt	-	98,468	98,468
Other assets	7,603	1,145,094	1,152,697
Deferred tax assets	-	98,187	98,187
Goodwill	-	497,030	497,030
Assets held for sale	24,548,315	17,992,941	42,541,256
Total assets	156,976,383	121,509,969	278,486,352
Liabilities and shareholders' equity			
Due to central banks	140,654	2,388,557	2,529,211
Due to banks and financial institutions	1,697,996	1,128,763	2,826,759
Derivative financial instruments	312,937	-	312,937
Customers' deposits	189,668,405	1,097,216	190,765,621
Deposits from related parties	1,317,941	1,615	1,319,556
Debt issued and other borrowed funds	2,326,984	1,736,146	4,063,130
Engagements by acceptances	242,910	7,138	250,048
Other liabilities	5,557,260	255,325	5,812,585
Current tax liability	269,203	-	269,203
Deferred tax liabilities	-	310,826	310,826
Provision for risks and charges	-	4,519,041	4,519,041
Liabilities held for sale	33,859,451	5,571,406	39,430,857
Shareholders' equity	-	26,076,578	26,076,578
Total liabilities and shareholders' equity	235,393,741	43,092,611	278,486,352

55. NON FINANCIAL RISKS

Non-Financial Risks (including Operational, Information and Cyber Security, as well as Business Disruption risks) are administered by an independent function reporting to the Group Chief Risk Officer.

Non-Financial risks are managed across the Group based on a set of principles and standards detailed in the Board-approved Group Operational Risk Policy and the Corporate Information Security Policy. These principles and standards include at a minimum: redundancy of mission-critical systems, segregation of duties, least-privilege principle, four-eye principle, independency of employees performing controls, reconciliations, establishment of second level controls, mandatory vacations, awareness and training. Controls are also embedded within systems and formalised in policies and procedures.

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At 31 December 2024

55. NON FINANCIAL RISKS (continued)

Incidents are captured and analysed to identify their root causes. Based on this analysis, corrective and preventive measures are recommended to prevent future reoccurrences. Furthermore, Risk and Control Assessments (RCAs) are conducted to identify outstanding risk exposures and control vulnerabilities associated with existing or new products, processes, activities and systems. Key Risk Indicators (KRIs) are also developed and monitored periodically to detect breaches and alarming trends. Recommendations to improve the control environment are communicated to concerned parties and issues are escalated to Management as deemed necessary. Beginning 2023, a new management committee called the Audit Findings Review Committee (AFRC) was established to ensure the appropriate and timely resolution of internal audit, external audit, regulatory recommendations and findings.

To ensure the continuity and timely resumption of critical business activities due to the potential risk of system disruptions or other unforeseen events, the Bank has been continuously maintaining a world-class business continuity and disaster recovery site that was awarded the Tier 4 – Fault Tolerant Certification of Design Documents and Constructed Facility. A Business Continuity Plan (BCP) was also developed and is being kept up-to-date to minimise the risk of interruption of critical operations in case of an adverse event. Business Continuity and Disaster Recovery rehearsals are also being conducted periodically to maintain a high operational resilience.

In response to the war escalation in Lebanon during 2024, the Bank convened the Crisis Committee to manage the evolving situation, monitor developments daily, and implement contingency measures. The committee's primary focus was to ensure the safety of both personnel and clients and maintain operational continuity in the event of severe disruptions to communication, energy, and other critical services.

The Bank is also abreast of latest cybersecurity threats, countermeasures, technologies and tools, and is continuously implementing technical and non-technical measures to strengthen its cyber resilience posture. External expert support is sought when needed.

Major incidents, RCA findings, KRI levels, business continuity actions and, information and cybersecurity activities are reported to the Executive Committee, Board Group Risk Committee, and Board of Directors periodically.

Insurances coverage (including cybercrime insurance) is used as an additional layer of mitigation and is commensurate with the Group business activities, in terms of volume, nature and operating environment.

56. LITIGATION RISK

At year-end, the Group had several unresolved legal claims in Lebanon and abroad, mainly those relating to the restrictive measures in place with respect to the withdrawal of funds and transfers abroad and a civil action filed in US federal courts in the US District Court in the Eastern District of New York (EDNY) against eleven Lebanese banks including Bank Audi sal, asserting primary and secondary liability claims under the "Justice Against Sponsors of Terrorism Act (JASTA)" and the "Anti-Terrorism Act (ATA) which allow U.S. citizens to seek compensation from individuals or entities that provide material support to terrorist organizations even if the alleged acts occurred outside the United States. The lawsuit is currently in the discovery phase after courts denied the banks' motions to dismiss.

Since 17 October 2019, the Group has been subject to an increased litigations in Lebanon and abroad, as a result of the restrictive measures adopted by Lebanese banks in relation to the withdrawal of funds and transfers abroad, as well as in relation to the repayment by customers of local foreign currency loans in Lebanese Pounds. Management is carefully considering the impact of these existing litigations and claims against the Group in relation to these restrictive measures. There are still uncertainties related to the consequences of these restrictive measures, based on the current available information and the prevailing laws and local banking practices. Due to recent development and the increasing trend in judgments ruled in favour of the plaintiffs and customers in Lebanon and abroad, management considers that they may affect negatively the liquidity of the Group (refer to Note 47). The amount cannot be determined presently.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

56. LITIGATION RISK (continued)

At the balance sheet date, shares owned by the Bank in certain local and foreign subsidiaries were placed under seizure, by court orders in relation to litigations raised by customers for the transfer of funds abroad. Also, amounts held by the Bank at foreign correspondent banks especially in France are being subject to conservatory seizures (Note 17).

Complaints have also been filed by groups of individuals against “Lebanese banks” and the chairmen of their board of directors for alleged committed crimes of tort and fraudulent bankruptcy, money laundering, fraud and breach of trust, which resulted in different legal decisions and actions on several banks. With respect to Bank Audi SAL, the Bank was the target of restraining orders preventing it from disposing of its assets (Notes 25 and 27) in addition to accusations of violation of the banking secrecy law. Bank Audi SAL has sought legal expertise on the matter: common consensus converges toward the fact that the claims are baseless and with no legal grounds.

On 4 May 2023, a decision was rendered by the Disciplinary Council of Judges in Lebanon to suspend and dismiss the Public Prosecutor of Appeal in Mount Lebanon, noting that the decision is subject to the Supreme Disciplinary Authority. At present, the case is with the Judge of Instruction, and Management and its legal counsels are in the opinion that the case will be dismissed for the lack of legal grounds.

During 2024, in relation to another complaint raised by a depositor against the Bank, the Public Prosecutor of Mount Lebanon initiated an investigation that is still ongoing.

In January 2025 a new claim was filed by the Public Prosecutor of Mount Lebanon, against Bank Audi s.a.l., and other individuals and parties, in connection with the file of the firm “Optimum”. A hearing was set on 19 June 2025.

Class-action lawsuit was filed by Lebanese depositors against certain Lebanese banks. The lawsuit is still at the initial stage and was just deposited for now to be approved as a class-action lawsuit in the US. The request is now different as they are not requesting cross-border transfer but they are asking for damages resulting mainly for the violation of the Racketeer Influenced and Corrupt Organisations ACT (RICO ACT). The Bank was not yet notified officially of this lawsuit.

In addition, the Group may, from time to time, become involved in other legal or arbitration proceedings which may affect its operations and results. Litigation risk arises from pending or potential legal claims against the Group (Note 48).

57. POLITICAL RISK

External factors which are beyond the control of the Group, such as political developments and government actions in Lebanon (Note 1) and other countries, may adversely affect the operations of the Group, its strategy and prospects. Other important political risk factors include government intervention on the Group’s activities and social developments in the countries in which the Group operates, political developments in Lebanon, and political or social unrest or military conflict in neighbouring countries and/or other overseas areas. Given the above, the Group recognises that unforeseen political events can have negative effects on the fulfilment of contractual relationships and obligations of its customers and other counterparties which will result in significant impact on Group’s activities, operating results and position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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58. CAPITAL MANAGEMENT

The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Central Bank of Lebanon, which is the lead supervisor of the Group.

Central Bank of Lebanon Intermediate Circular 567, issued on 26 August 2020, Intermediate Circular 649, issued on 24 November 2022, Intermediate Circular 659, issued on 21 January 2023, Intermediate Circular 685, issued on 28 December 2023, Intermediate Circular 689 issued on 2 February 2024 and Intermediate Circular 726 issued on 6 February 2025 introduced several key changes to the calculation of regulatory capital adequacy ratios. These changes include:

- Raising the regulatory expected credit loss level for Lebanese government securities in foreign currency and Lebanese government-related exposures in same currency from 9.45% to 45% initially and then again to 75% (the latter level to be reached by 31 December 2026). Regulatory ECL for other exposures remain unchanged. These levels remained applicable in 2024.

<i>Type of financial instrument</i>	<i>2024</i>	<i>2023</i>
Exposures to Central Bank of Lebanon in foreign currency	1.89%	1.89%
Exposures to Central Bank of Lebanon in Lebanese Pounds	0%	0%
Lebanese government securities in foreign currency	75%	75%
Lebanese government securities in Lebanese Pounds	0%	0%

The Group recorded expected credit losses on Lebanese government securities in foreign currency equivalent to a loss rate 87% as at 31 December 2023 relative to a loss rate of 75% by 31 December 2026. During 2024, the Bank reclassified Lebanese government securities to fair value through profit and loss account.

- Requesting banks to increase their own funds (capital) by an amount equivalent to 20% of their Common Equity Tier 1 capital as of 31 December 2018, through issuing new foreign currency capital instruments, as well as other approaches that meet the criteria for inclusion as regulatory capital. The deadline for raising capital was initially set at 31 December 2020, but was later extended for the banking sector to 28 February 2021. The Central Bank of Lebanon's Central Council may exceptionally approve a bank's completion of 50% of the 20% required capital increase through the transfer of real estate assets owned by the shareholders to the concerned bank. However, these real estate assets must be liquidated during a 5-year period following regulatory approval date on this transaction.
- Inclusion of gains from Foreign Currency Translation Adjustments in Common Equity Tier 1, effective from 2023 whereas regulation prior to amendments brought by Intermediate Circular 689 included only losses from Foreign Currency Translation Adjustments in Common Equity Tier 1 and 50% of gains in Tier 2 capital. As a result of the change in regulation and the change in the official published exchange rate from LBP 15,000 to the US Dollar to LBP 89,500 to the US Dollar, Common Equity Tier 1 increased by LBP 52,372,260 million as at 31 December 2024 compared to 31 December 2023 (2023: LBP 1507.5 to the US Dollar to LBP 15,000 to the US Dollar, Common Equity Tier 1 increased by LBP 7,789,057 million).
- Inclusion of 75% of cumulative change in the fair value of financial instruments classified at FVTOCI in Common Equity Tier 1, instead of 50% of the gain in Tier 2, as was the case previously.
- Inclusion of 75% of revaluations gain of owned real estate properties (excluding ones acquired in settlement of bad debt as per Article 154 of the Code of Money & Credit) in Common Equity Tier 1, instead of 50%. The regulatory deadline for completing the reappraisal process for such properties was set on 31 December 2023.
- Exceptionally during 2020 and 2021, allowing banks to draw down the 2.5% capital conservation buffer on condition of rebuilding it progressively starting 2022 by not less of 0.75% each year, to reach the minimum required level of 2.5% by the end of 2024. Following issuance of BDL Intermediate Circular 689, Banks were once again allowed to draw down completely the 2.5% capital conservation buffer in 2023 and 2024.

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At 31 December 2024

58. CAPITAL MANAGEMENT (continued)

- Prohibiting banks from distributing dividends if capital adequacy ratios drop below 7% for Common Equity Tier 1, 10% for Tier 1 and 12% for total capital (compared to the regulatory minimum limits of 7%, 8.5% and 10.5% respectively, including a 2.5% capital conservation buffer).
- Exceptionally for 2020 and 2021, allowing the Bank to include provisions for expected credit losses on Stage 1 and 2 exposures, excluding those relating to Lebanese sovereign and the Central Bank of Lebanon, under regulatory Common Equity Tier 1 (previously only Stage 1 allowances were included in Tier 2 capital, subject to a 1.25% cap relative to credit risk-weighted assets). Such provisions included under CET 1 should be amortised over a period of 3 years starting 2022 and ending in 2024 by 25% yearly.
- Exceptionally for 2022 and 2023, allowing banks to include under CET 1 part of the losses resulting from the purchase of local dollars from the Central Bank of Lebanon against Lebanese Pound for the purpose of reducing open net FX short positions prior to 17 November 2022. In 2022, 66% of these losses can be included under CET 1, while in 2023, a maximum of 33% level applies.
- Exceptionally authorizing Banks the inclusion in Tier 2 of provisions for risk and charges, treated as General Provisions, up to a limit of 1.25% of Credit Risk-Weighted assets. At 31 December 2024, the amount of General Provisions included in Tier 2 amounted to 12,489,668 million (2023: nil).

The following table shows the applicable regulatory capital ratios:

	<i>Common Tier 1 Capital Ratio</i>	<i>Tier 1 Capital Ratio</i>	<i>Total Capital Ratio</i>
31 December 2024			
Minimum required capital ratios (waiver from capital conservation buffer)	4.50%	6.00%	8.00%
With the full capital conservation buffer of 2.5% (applicable in 2024)	7.00%	8.50%	10.50%
31 December 2023			
Minimum required capital ratios	4.50%	6.00%	8.00%
With the full capital conservation buffer of 2.5% (applicable in 2024)	7.00%	8.50%	10.50%
		<i>2024</i>	<i>2023</i>
Risk-weighted assets:		<i>LBP Million</i>	<i>LBP Million</i>
Credit risk		1,153,899,775	230,535,287
Market risk		55,276,600	7,521,573
Operational risk		94,650,010	7,004,065
Total risk-weighted assets		<u>1,303,826,385</u>	<u>245,060,925</u>

The regulatory capital including net loss for the year as of 31 December is as follows:

	<i>2024</i>	<i>2023</i>
	<i>LBP Million</i>	<i>LBP Million</i>
Tier 1 capital	73,266,932	21,582,754
<i>Of which: common Tier 1</i>	72,362,432	20,678,254
Tier 2 capital	23,545,709	1,792,167
Total capital	<u>96,812,641</u>	<u>23,374,921</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

58. CAPITAL MANAGEMENT (continued)

The capital adequacy ratio including net loss for the year as of 31 December is as follows:

	<i>2024</i>	<i>2023</i>
Capital adequacy – Common Tier 1	5.55%	8.44%
Capital adequacy – Tier 1	5.62%	8.80%
Capital adequacy – Total capital	7.43%	9.54%

The capital adequacy ratios as at 31 December 2024 and 31 December 2023 were calculated based on the recorded figures and do not take into consideration the adjustments that may result from the resolution of the uncertainties reflected in Note 1. Due to the high levels of uncertainties, the lack of observable reliable indicators, and the lack of visibility on the government's plans with respect to: (a) the high exposures of Lebanese banks with the Central Bank of Lebanon, (b) the Lebanese sovereign securities, and (c) the currency exchange mechanisms and currency exchange rates that will be applied, Management is unable to estimate in a reasonable manner the impact of these matters on the Group's capital adequacy. Management has concerns about the effects that the above matters will have on the capital of the Group and the recapitalisation needs that may arise once the necessary adjustments are determined and recorded.

59. SUBSEQUENT EVENTS*Odea Bank*

In the opinion of the Group's management, apart for the sale agreement of its 76.42% interest in the share capital of Odea Bank A.Ş. as disclosed in Note 44, there have been no further subsequent events since the year ended 31 December require adjustment of or disclosure in the consolidated financial statements or notes thereto.

