BLC BANK S.A.L.

SEPARATE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Shareholders
BLC Bank S.A.L.
Beirut, Lebanon

Adverse Opinion

We have audited the accompanying separate financial statements of BLC Bank S.A.L. (the "Bank"), which comprise the separate statement of financial position as at December 31, 2020 and the separate statement of profit or loss, separate statement of profit and loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our audit report, the accompanying separate financial statements do not present fairly the separate financial position of the Bank as at December 31, 2020, its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

1. As explained in Note 3, the Bank has not applied the requirements of IAS 29 *'Financial Reporting in Hyperinflationary Economies'* in the preparation of the separate financial statements for the year ended December 31, 2020. IAS 29 requires that the financial statements, and corresponding figures for previous periods, of an entity with a functional currency that is hyperinflationary, to be stated in the terms of the measuring unit current at the end of the reporting period. Had the Bank applied the requirements of IAS 29 many of the elements of the accompanying separate financial statements, including disclosures, would have been significantly impacted. The effects on the separate financial statements of this departure have not been determined.

INDEPENDENT AUDITORS REPORT (CONTINUED)

2. Note 1 to the separate financial statements indicates that there is currently a high degree of uncertainty surrounding the Lebanese banking industry and Lebanese economy as a whole, triggered by the severe financial crisis and unprecedented economic downturn, the effects of the Covid-19 pandemic and the explosion at Beirut Seaport in August 2020. As the situation is rapidly evolving, the magnitude of the possible adverse effects on the Lebanese economy and the banking sector, remains unknown and gave rise to unusual practices that are not considered to be in the normal course of business in a non-crisis environment as disclosed under Notes 1 and 35 to the separate financial statements.

   The audit evidence available to us to confirm the appropriateness of preparing the separate financial statements on a going concern basis was limited due to the severity of the uncertainties noted above as applicable to the Bank and within the Lebanese banking sector as a whole resulting from the overwhelming systemic risk which could impact the assessment of solvency risk, liquidity and funding risk, currency risk, credit risk and profitability and the related future actions and mitigation plans and factors.

   This situation indicates that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern and in the absence of any alternative evidence available to us, we were unable to form a view as to the applicability of the going concern basis, the circumstances of which, together with the effect on the separate financial statements should this basis be inappropriate, could result in the Bank being unable to realize its assets and discharge its liabilities in the normal course of business. The separate financial statements do not adequately disclose this fact. Our opinion on the Bank's separate financial statements for the year ended December 31, 2019 was also modified in respect of this matter.

3. Cash and balances with Central Bank of Lebanon and investment securities at amortized cost which are carried in the separate statement of financial position at LBP 2,238 billion and LBP 1,916 billion respectively (2019: LBP1,959 billion and LBP2,214 billion respectively), include balances and investments with the Central Bank of Lebanon and Lebanese government debt securities at amortized cost with carrying amounts of LBP 3,068 billion and LBP 1,050 billion respectively (2019: LBP 2,907 billion and LBP 1,218 billion respectively). Management has not stated these balances net of allowances for expected credit losses which take into account the significant deterioration in credit quality since initial recognition which has arisen as a result of the continuing economic crisis in Lebanon and the government default on Eurobonds, which constitutes a departure from IFRSs. We were unable to determine the adjustments necessary to these amounts. Our opinion in the prior year was also modified in respect of this matter.

4. Loans and advances to customers, deposits with banks and financial institutions, and investment securities at amortized cost which are carried in the separate statement of financial position at LBP 1,373 billion, LBP 100 billion and LBP 1,916 billion respectively (2019: LBP 2,072 billion, LBP 41 billion and LBP 2,214 billion respectively) include balances concentrated in Lebanon of loans and advances to customers, balances with banks and financial institutions and investments in debt securities originated by the private sector with carrying amounts of LBP 1,373 billion, LBP 100 billion and LBP 2 billion respectively (2019: LBP 2,072 billion; LBP 41 billion and LBP 31 billion respectively). Management has not stated these balances net of allowances for expected credit losses which take into account the full impact of the economic crisis and political turmoil in Lebanon, which constitutes a departure from IFRSs. We were unable to determine the adjustments necessary to these amounts. Our opinion in the prior year was also modified in respect of this matter.

INDEPENDENT AUDITORS REPORT (CONTINUED)

5. Provisions, which are carried in the separate statement of financial position at LBP 12 billion, include a provision for expected credit losses on financial guarantees and other commitments of LBP 0.4 billion. Management has not stated the allowance for expected credit losses on financial guarantees and other commitments by taking into account the full impact of the economic crisis and political turmoil in Lebanon, which constitutes a departure from IFRSs. We were unable to determine the adjustments necessary to this amount.

6. Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which are carried in the separate statement of financial position at LBP 11 billion and LBP 51 billion respectively (2019: LBP 36 billion and LBP 97 billion respectively), include investment securities of LBP 5 billion and LBP 51 billion respectively (2019: LBP 13 billion and LBP 97 billion respectively), which are issued by the Lebanese government and private entities. Management has stated the aforementioned financial assets at fair value by using inputs into the determination of fair value which are not indicative of economic reality and market conditions existing in Lebanon at the reporting date, which constitutes a departure from IFRSs. We were unable to determine the adjustments necessary to these amounts. Our opinion in the prior year was also modified in respect of this matter.

7. Management has not disclosed the fair value of the Bank's financial assets and financial liabilities at amortized cost, which constitutes a departure from IFRSs. It is not practical for us to disclose the omitted information as that information has not been made available to us by management. Our opinion in the prior year was also modified in respect of this matter.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the separate Financial Statements section of our report. We are independent of the Bank in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* (IESBA Code) together with the Code of Ethics of the Lebanese Association of Certified Public Accountants that are relevant to our audit of the financial statements 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 1 of the separate financial statements, which describes that the Bank's assets and liabilities denominated in foreign currencies are translated to Lebanese Pounds in accordance with the accounting policy on foreign currency transactions detailed in note 3 of the separate financial statements i.e. at the official exchange rate prevailing at the end of the reporting period and that the realization of these assets and the settlement of these liabilities, could be materially different. Our opinion is not modified in respect of 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 separate financial statements for the year ended December 31, 2020. 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

Management is responsible for the other information. Other information consists of the information included in the Bank's Annual Report other than the separate financial statements and our auditor's report thereon. The Bank's Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the separate financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

In preparing the separate financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate 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.

INDEPENDENT AUDITORS REPORT (CONTINUED)

- 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 Bank'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 Bank'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 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 Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate 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.

Beirut, Lebanon
September 2, 2021

DFK Fiduciaire du Moyen Orient

Deloitte & Touche
Deloitte & Touche

BLC BANK S.A.L.
SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

ASSETS	Notes	December 31, 2020 LBP'000	December 31, 2019 LBP'000
Cash and balances with Central Bank of Lebanon	5	2,237,560,555	1,959,272,028
Deposits with banks and financial institutions	6	100,226,378	41,369,161
Loan to a bank	7	1,384,631	2,078,252
Loans and advances to customers	8	1,373,000,311	2,071,600,987
Investment securities at fair value through profit or loss	9	10,854,238	36,107,719
Investment securities at amortized cost	9	1,916,393,975	2,213,812,236
Investment securities at fair value through other comprehensive income	9	51,406,657	97,495,880
Customers' liability under acceptances	11	149,084	27,988,048
Investments in subsidiaries	12	104,418,613	95,828,315
Assets acquired in satisfaction of loans	13	69,863,846	83,976,041
Right-of-use assets	14	18,616,649	22,349,593
Property and equipment	15	89,825,297	94,881,950
Intangible assets	16	4,643,521	4,575,856
Other assets	17	33,199,610	30,770,325
Total Assets		6,011,543,365	6,782,106,391
FINANCIAL INSTRUMENTS WITH OFF- BALANCE SHEET RISKS:	38		
Letters of guarantee and standby letters of credit		83,116,613	123,875,508
Letters of credit		-	4,374,695
Forward exchange contracts		18,512,100	39,311,870
FIDUCIARY ACCOUNTS	39	7,228,463	7,228,463

THE ACCOMPANYING NOTES 1 TO 47 FORM AN INTEGRAL PART
OF THE SEPARATE FINANCIAL STATEMENTS

BLC BANK S.A.L.
SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

(Continued)

LIABILITIES	Notes	December 31, 2020 LBP'000	December 31, 2019 LBP'000
Deposits from banks and financial institutions	18	195,578,924	254,522,606
Customers' accounts	19	4,634,625,901	5,310,511,959
Liability under acceptances	11	149,084	28,332,312
Other borrowings	20	304,738,835	347,826,103
Lease liabilities	14	19,678,708	22,065,854
Other liabilities	21	85,171,984	68,865,372
Provisions	22	11,991,265	20,181,746
Total liabilities		5,251,934,701	6,052,305,952
EQUITY			
Capital	23	214,000,000	214,000,000
Shareholders' cash contribution to capital	23	69,289,411	-
Preferred shares	24	152,786,633	152,786,633
Treasury shares	25	(76,855,365)	(75,787,285)
Non-distributable reserves	26	262,376,874	262,376,874
Brought forward retained earnings		170,891,949	214,812,502
Cumulative change in fair value of investments at fair value through other comprehensive income	9	(4,906,146)	5,532,268
Net loss for the year		(27,974,692)	(43,920,553)
Total equity		759,608,664	729,800,439
Total Liabilities and Equity		6,011,543,365	6,782,106,391

THE ACCOMPANYING NOTES 1 TO 47 FORM AN INTEGRAL PART
OF THE SEPARATE FINANCIAL STATEMENTS

BLC BANK S.A.L.
SEPARATE STATEMENT OF PROFIT OR LOSS
YEAR ENDED DECEMBER 31, 2020

	Notes	Year Ended December 31, 2020 LBP'000	Year Ended December 31, 2019 LBP'000
Interest Income		351,020,602	506,436,493
Less: Tax on interest		(25,730,603)	(22,586,031)
Interest income, net of tax	28	325,289,999	483,850,462
Interest expense	29	(191,781,299)	(404,197,840)
Net interest income		133,508,700	79,652,622
Fee and commission income	30	36,863,707	27,390,796
Fee and commission expense	31	(2,019,439)	(2,057,518)
Net fee and commission income		34,844,268	25,333,278
Losses arising from the derecognition of financial assets measured at amortized cost	32	(36,574,731)	-
Losses arising from the derecognition of debts securities measured at fair value through other comprehensive income	33	(108,793)	-
Net interest and other gain on investment securities at fair value through profit or loss	34	3,031,717	816,126
Other operating (expense)/income	35	(7,824,593)	8,504,088
Net financial revenues		126,876,568	114,306,114
Allowance for expected credit losses, net	43	(53,360,701)	(54,104,711)
Recovery/(direct write-off) of loans and advances, net		94,713	(19,860)
Net financial revenues after net expected credit losses		73,610,580	60,181,543
Net gain on disposal of property and equipment and properties acquired in satisfaction of loans	13,15	16,032,178	1,423,797
Provision for risks and charges, net	22	3,315,000	(150,000)
Staff costs	36	(66,478,187)	(65,204,414)
Tax on revenues	21	(11,500,000)	-
General and administrative expenses	37	(25,172,308)	(26,791,866)
Depreciation and amortization	15,16	(7,649,011)	(7,288,406)
Depreciation of right-of-use assets	14	(3,732,944)	(2,991,207)
Loss before income tax		(21,574,692)	(40,820,553)
Income tax expense	21	(6,400,000)	(3,100,000)
Loss for the year		(27,974,692)	(43,920,553)

THE ACCOMPANYING NOTES 1 TO 47 FORM AN INTEGRAL PART
OF THE SEPARATE FINANCIAL STATEMENTS

BLC BANK S.A.L.
SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2020

	Notes	Year Ended December 31, 2020 LBP'000	Year Ended December 31, 2019 LBP'000
Loss for the year		(27,974,692)	(43,920,553)
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Net change in fair value of investments at fair value through other comprehensive income		(11,519,602)	-
Deferred tax	21	933,232	-
		(10,586,370)	-
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of debt securities at fair value through other comprehensive income (net of tax)		178,261	(534,923)
Deferred tax	21	(30,305)	89,034
		147,956	(445,889)
Total other comprehensive loss		(10,438,414)	(445,889)
Total comprehensive loss for the year		(38,413,106)	(44,366,442)

THE ACCOMPANYING NOTES 1 TO 47 FORM AN INTEGRAL PART
OF THE SEPARATE FINANCIAL STATEMENTS

BLC BANK S.A.L.
SEPARATE STATEMENT OF CHANGES IN EQUITY
YEAR ENDED DECEMBER 31, 2020

	Capital	Preferred Shares and Shares Premiums	Treasury Shares	Shareholders' Cash Contribution to Capital	Non-distributable Reserves	Cumulative Change in Fair Value of Investment Securities	Brought Forward Retained Earnings	Loss for the Year	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Balance - January 1, 2019	213,650,000	152,786,633	-	151,773,123	237,460,718	5,978,157	189,215,146	61,159,886	860,250,540
Issuance of common shares (Note 23)	350,000	-	-	-	(350,000)	-	-	-	-
Acquisition of treasury shares (Note 25)	-	-	(75,787,285)	-	-	-	-	-	(75,787,285)
Appropriation of 2018 profit	-	-	-	-	25,266,156	-	35,893,730	(61,159,886)	-
Transfer between reserves	-	-	-	-	-	-	-	-	-
Other movement	-	-	-	-	-	-	22	-	22
Dividends paid to preferred shares (Note 27)	-	-	-	-	-	-	(10,296,396)	-	(10,296,396)
Total comprehensive loss for the year 2019	-	-	-	-	-	(445,889)	-	(43,920,553)	(44,366,442)
Balance - December 31, 2019	214,000,000	152,786,633	(75,787,285)	-	262,376,874	5,532,268	214,812,502	(43,920,553)	729,800,439
Appropriation of 2019 loss	-	-	-	-	-	-	(43,920,553)	43,920,553	-
Contributions from shareholders (Note 23)	-	-	-	69,289,411	-	-	-	-	69,289,411
Effect of exchange rates changes	-	-	(1,068,080)	-	-	-	-	-	(1,068,080)
Total comprehensive loss for the year 2020	-	-	-	-	-	(10,438,414)	-	(27,974,692)	(38,413,106)
Balance - December 31, 2020	214,000,000	152,786,633	(76,855,365)	69,289,411	262,376,874	(4,906,146)	170,891,949	(27,974,692)	759,608,664

THE ACCOMPANYING NOTES 1 TO 47 FORM AN INTEGRAL PART OF THE SEPARATE FINANCIAL STATEMENTS

BLC BANK S.A.L.
SEPARATE STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

	Notes	Year Ended December 31, 2020 LBP'000	2019 LBP'000
Cash flows from operating activities:			
Net loss for the year		(27,974,692)	(43,920,553)
Adjustments for:			
Allowance for expected credit losses	42	53,360,701	54,104,711
Depreciation and amortization	15,16	7,649,011	7,288,406
Depreciation of right-of-use	14	3,732,944	2,991,207
(Write-back of)/provision for risk and charges (net)	22	(3,315,000)	150,000
(Write-back of)/provision for end-of-service indemnities (net)	22	(2,473,389)	577,773
Write back of the provision for USB	12	-	(5,252,146)
(Write-back)/provision for loss on foreign currency position	22	(841,411)	901,398
Effect of foreign currency fluctuations		(9,436,999)	2,033,597
Unrealized loss on investments at fair value through profit or loss	34	3,153,123	222,343
Tax on revenues		11,500,000	-
Income tax expense	21	6,400,000	3,100,000
(Gain)/loss on disposal of property and equipment	15	(321,071)	7,922
Gain on disposal of property acquired in satisfaction of loans	13	(15,711,107)	(1,431,719)
Dividend income	34, 35	(97,742)	(2,113,583)
Interest expense	29	191,781,299	404,197,840
Interest income	28, 34	(325,302,936)	(484,442,076)
		(107,897,269)	(61,584,880)
Net decrease/(increase) in loans and advances to customers		697,729,652	311,561,082
Net decrease in investments at fair value through other comprehensive income		33,947,936	15,299,001
Net decrease in investments at fair value through profit or loss		21,962,370	18,961,180
Net decrease in investments at amortized cost		235,638,078	322,341,111
Net decrease in customers' deposits		(641,233,286)	(582,970,787)
Net decrease in compulsory deposits with the Central Bank		26,994,024	8,088,084
Net increase/(decrease) in margin with banks		244,709	3,800,352
Net decrease/(increase) in term deposits with Central Bank		220,642,877	(276,782,618)
Net increase in deposits from banks		(61,608,312)	92,716,011
Net increase in other assets		(2,429,285)	(7,147,546)
Net increase/(decrease) in other liabilities		(690,461)	(10,695,035)
Proceeds from disposal of assets acquired in satisfaction of loans	13	29,823,302	2,368,276
Settlements made from provisions	22	(1,559,437)	(2,247,789)
		451,564,898	(166,293,558)
Income tax paid		-	(4,521,696)
Dividends received from investments at fair value through profit or loss	34	86,504	429,627
Dividends received from investments at fair value through other comprehensive income	35	11,238	1,683,956
Interest paid		(222,679,105)	(400,618,604)
Interest received		342,638,278	487,191,390
Net cash generated from/(used in) operating activities		571,621,813	(82,128,885)
Cash flows from investing activities:			
Proceeds from disposal of property and equipment		1,345,042	2,444
Proceeds from disposal of a subsidiary	12	-	27,971,971
Acquisition of property and equipment	15	(3,450,225)	(11,093,575)
Acquisition of intangible assets	16	(233,769)	(1,482,829)
Net cash (used in)/generated from investing activities		(2,338,952)	15,398,011
Cash flows from financing activities:			
Dividends paid	27	-	(10,296,396)
Shareholders' cash contribution to capital		69,289,411	-
Settlement of lease liabilities	14	(3,480,120)	(2,840,988)
Net decrease in loan to a bank		700,000	700,000
Acquisition of treasury shares	25	-	(75,787,285)
Net decrease in other borrowings	20	(43,084,630)	(56,441,557)
Net cash generated from/(used in) financing activities		23,424,661	(144,666,226)
Net increase/(decrease) in cash and cash equivalents		592,707,522	(211,397,100)
Cash and cash equivalents beginning of year	40	260,197,774	471,594,874
Cash and cash equivalents end of year	40	852,905,296	260,197,774

THE ACCOMPANYING NOTES 1 TO 47 FORM AN INTEGRAL PART OF THE SEPARATE FINANCIAL STATEMENTS

BLC BANK S.A.L.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

1. FORMATION AND ACTIVITIES

BLC Bank S.A.L., (the "Bank"), is a Lebanese joint stock company registered in the Commercial Register under No. 1952 and in the Central Bank of Lebanon list of banks under No. 11. The principal activities of the Bank consist of commercial banking activities.

The Bank's headquarters are located at BLC Bank building, Adlieh Square, Beirut, Lebanon.

Fransabank S.A.L. is the ultimate parent of the Bank.

These financial statements represent the separate financial statements of the Bank. Consolidated financial statements are separately issued by the Bank which incorporate the Bank and its subsidiaries.

1.1 The Macro Economic Environment

Since the last quarter of 2019, Lebanon has been witnessing severe events which had and continue to have a significant impact on the fiscal, monetary and economic outlook along with their related adverse impact on the business community as a whole and the banking system in particular, mainly: social unrest and business disruption across the country, series of downgrades to the level of default ranking for private and sovereign credit risk by all major rating agencies, restrictions on cash withdrawals and movement of funds in foreign currencies, non-ability to transfer funds from local bank accounts in foreign currency to foreign accounts with correspondent banks, and the Lebanese Republic default on its Eurobonds due on March 9, 2020 and then the decision to discontinue payments on all of its outstanding USD-denominated Eurobonds. The Eurobonds default precludes access to international markets for foreign financing, while the domestic banking system is severely impaired.

The dry up of the dollar inflow to the country, precipitated systemic failures across banking, debt and the exchange rate. A significant portion of the Lebanese banks holdings consist of sovereign lending, including deposits with Central Bank of Lebanon, which made banks unable to meet their dollar obligations to customers. A *de facto* restriction on outbound transfers and foreign currency cash withdrawals, were imposed to preserve the foreign currency left in the country. The difficulty in accessing foreign currencies led to the emergence of a parallel market to the official peg whereby the price to access foreign currencies increased, deviating significantly from the official peg of 1507.5 LBP/USD. This has resulted in an uncontrolled rise in prices driving high inflation and rise in the consumer price index, loss of confidence in the economy and deterioration in the economic fundamentals.

The financial crisis has been intensified by the devastating explosion occurred on August 4, 2020 at the Beirut seaport causing severe property damages across a wide area of the capital along with a large number of casualties, and the COVID-19 pandemic which particularly hit the tourism sector.

The Central Bank of Lebanon efforts to control foreign exchange and slow the loss of foreign currency reserves, led to multiple exchange rates, however unsustainable.

- Official exchange rate (1507.5 LBP/USD) currently maintained mainly in banking transactions.
- Platform rate - Sayrafa (3,900 LBP/USD): currently mainly used for LBP cash withdrawals in small amounts, from foreign currency deposits accounts, based on limits set by banks separately.
- Platform rate introduced by Central Bank of Lebanon during the second quarter of 2021.

On April 30, 2020, the Lebanese Council of Ministers approved the Lebanese Government's Financial Recovery Plan (the Plan) which includes among other items, reviewing the peg policy, restructuring of the government debt, restructuring of the financial system and the banking sector, and international financial assistance. On May 1, 2020, a formal request for support from the International Monetary Fund (IMF) was addressed to the IMF with no progress made so far.

In this respect the Association of Banks in Lebanon (ABL) has challenged the Government's Plan for many uncertainties associated with the Plan and the assumptions made in it. The ABL submitted an alternative approach to tackling the Lebanese economic crisis in general and the banking crisis in particular.

1.2 Central Bank of Lebanon policy initiatives

Since the beginning of the crisis in October 2019, the Central Bank of Lebanon ("BDL") has issued a series of circulars reflecting on policy initiatives and crisis management. Below is brief of the key circulars:

Regulatory framework:

- *Intermediate Circular 567:*
  - BDL licensees should apply the following minimum regulatory expected credit loss ("ECL") ratios, while permitting banks to constitute progressively those ECLs over a period of five years (starting from 2020). The BDL Central Council may consider the extension of the period to 10 years, for banks that manage to complete the 20% cash contribution to capital requirement:
    Foreign currency placements with BDL, including certificates of deposits: 1.89%
    Local currency deposits with BDL: 0%
    Lebanese government bonds in foreign currencies: 45%
    Lebanese treasury bills in local currency: 0%

  - BDL licensees are allowed not to downgrade loans exposures showing past dues (principal and interest) between February 2020 and December 2020 as a result of COVID-19, unless borrower ceases to operate as a going concern, in which case exposure should be automatically downgraded to Stage 3.

  - Prohibition of dividends distribution on banks' common shares for the years 2019 and 2020.

  - By February 28, 2021 (extended), banks should complete a 20% increase of the common equity tier I capital as at December 31, 2018. The BDL Central Council may consider for banks to complete 50% of this capital increase through transfer of real estate by the shareholders, provided these are liquidated within 5 years.

- Banks can include the revaluation surplus of property and equipment in Tier I capital, subject to BDL approval on the revaluation.

- Banks must comply with the minimum capital adequacy ratios. Bank should refrain from dividend distribution, should these ratios fall below 7% for common equity Tier I ratio; 10% for tier I ratio; and 12% for total capital ratio.
  Furthermore, if the capital conservation buffer on common equity falls below 2.5% of risk weighted assets during 2020 and 2021, banks should rebuild the gap by end of 2024, by a minimum of 0.75% per year, starting 2022.

- Banks are required to submit to a comprehensive plan to Central Bank, reflecting own strategies to comply with the regulatory minimum capital requirements, including the timeline to achieve compliance. The plan should incorporate allowances required by the Banking Control Commission of Lebanon against different risks banks are exposed to.

- As exceptional measures, 100% of ECL on Stage 1 and Stage 2 exposures (except those against sovereign and BDL exposures in local and foreign currency), may be added to common equity Tier I capital. These will be gradually amortized to 75% in 2022, 50% in 2023 and 25% in 2024.

- *Basic Circular 154:*
  - Banks should perform a fair value assessment of their assets and liabilities and set a plan to comply with all applicable regulatory requirements, namely those related to liquidity and capital adequacy, and restore their levels of service which were in place before the economic crisis. Banks should also submit a request to the BDL Central Council to reconstitute/raise their capital to the required levels by the end of the first quarter of the year 2021, where applicable. In this respect, banks shall consider soliciting their depositors to convert their deposits into shares or bonds, provided listing the bank's shares on the Beirut Stock Exchange.

  - In order to enhance their offshore liquidity, banks are required to instigate those depositors to repatriate 30% (in the case of banks' key executives and politically exposed persons) and 15% (for other depositors) of their overseas transfers made since July 1, 2017 and exceeding the equivalent of USD 500,000. Funds received will be deposited in special saving accounts for 5 years and will not be subject to compulsory reserve requirements.

  - Banks should secure by February 28, 2021, offshore foreign currency deposits equivalent to a minimum of 3% of their total foreign currency as at July 31, 2020.

- *Intermediate Circular 575* approving banks to book exceptionally one third of the capital gains arising from the revaluation of assets received in settlement of debts, under Tier II capital subject to the approval of the BDL Central Council on the revaluation methodology and raising capital before December 31, 2021 as follows:

  - Add a maximum of one third of the revaluation gains under Tier 2 capital,

  - Increase common equity Tier I capital in cash by an amount at least equivalent to the amount of the revaluation gains booked under Tier II capital.

Monetary and exchange rate policies and socio-economic support:

- *Intermediate Circular 536*: Stipulates the following measures:
    - Interest earned on by banks on USD Certificates of Deposits issued by BDL, are received 50%-50% in USD and LBP respectively. Similarly, interest on customers deposits denominated in foreign currencies are paid 50%-50% in the account currency and LBP respectively.
    - Banks should comply with interest rate ceilings on customer deposits capped at 5% and 8.5% on foreign currency and LBP denominated deposits respectively.
    - The Beirut Reference Rates (BRR) should reflect the lower deposit rates.

- *Basic Circular 150* exempting banks from compulsory reserve requirements on fresh foreign currency deposits received after April 9, 2020, subject to conditions.

- *Basic Circulars 148 and 151 and Intermediate Circulars 549 and 565* allowing withdrawals of pre-crisis customers' deposits foreign currency accounts at the BDL platform rate subject to limits set by banks.

- *Intermediate Circulars 547 and 552* requesting banks to rollover loans to customers in local and foreign currencies maturing between March 2020 to June 2020 up to 5 years at zero interest rate and fees, subject to the bank assessment of the customers' inability to settle their dues because of the economic situation. BDL also allowed the extension of loans to businesses to fund salaries and operating expenses, at the same terms mentioned above. In return, BDL would extend loans to banks in USD at zero interest rates against those loans to banks' customers.

- *Basic Circular 152 and Intermediate Circular 569* allowing banks extension of loans up to 5 years at zero interest rate, to help those affected by the Beirut Seaport explosion. In return, BDL would extend loans to banks in USD at zero interest rates against those loans to banks' customers.

- *Intermediate Circular 568* requesting banks to accept repayment by resident customers of their USD denominated retail loans (up to USD 800,000 for housing loans and USD 100,000 for retail loans) in local currency at the official exchange rate (LBP 1,507.5 to the USD).

1.3 The Bank's Financial particulars

The Bank's monetary assets and liabilities in foreign currency, were converted in Lebanese Pound at the official exchange rate peg of USD1 = LBP1,507.5 which is the rate that Lebanese banks and other regulated entities are legally required to use. As the official exchange rate significantly deviated from the exchange rates in the parallel markets, the valuation of assets and liabilities in foreign currencies at a different rate is expected to significantly impact the Bank's financial statements once the regulatory authorities adopt a free-floating exchange rate policy or implement a new legal exchange mechanism. Foreign currency mismatch is detailed in Note 42 to these financial statements.

The substantially overvalued official exchange rate along with the restrictions imposed on outbound payments and the large amounts of offshore liquidity needed by the Bank, has led to significant costs recognized during 2020 and which amounted to LBP10.5 billion (Note 35).

As at December 31, 2020, the Bank's net credit exposure to Lebanese sovereign debt, including BDL, represented approximately 70% of total assets. LBP denominated net exposures and foreign currency denominated net exposures amounted to LBP1.5 billion and LBP2.7 billion respectively.

The material uncertainties discussed under Note 1.1 above and the lack of observable indicators, have impacted management ability to formulate adequate loss allowances on the Bank's exposures to BDL, Lebanese government bonds, deposits with banks, and other financial instruments originated by Lebanese banks and other corporate entities. Therefore, the loss allowances recognized in these financial statements do not represent a reasonable estimate of the expected credit losses on these exposures and have not been assessed in accordance with IFRS 9. This applies as well to the credit risk Staging of these exposures as disclosed in these financial statements. The basis of the loss allowances recognized by the Bank against BDL and sovereign exposures is described under Note 44.

The adverse economic conditions and the severe recession resulted in a significant deterioration of the credit quality of the customers' loans portfolio concentrated in Lebanon since the last quarter 2019 despite the drop in the customers' loans portfolio. The Bank's credit assessment of the customers' loans portfolio is based on information available to management which did not take into account the circumstances prevailing as a result of the continuing and aggravating economic crisis and recession which has further deteriorated as a result of the explosion in the seaport of Beirut and Covid-19 pandemic. Given the high level of uncertainties, Management is unable to estimate in a reasonable manner the impact of these matters on the Bank's financial position.

Fair values of financial assets originated in Lebanon have been determined by the Bank using notional prices quoted on inactive and illiquid markets or using yield curves that are not reflective of economic reality and market conditions. In the absence of reliable data, the Bank did not disclose the fair value of financial assets and financial liabilities measured at amortized cost as required by IFRS 13 *Fair Value Measurements*.

The downgrade of sovereign credit rating, the increase in credit, liquidity, market and operational risks across all business sectors, the de-facto capital controls and restrictions on transfers of foreign currency overseas exposing the banking sector to litigation, the current and future possible changes to fiscal, economic and political conditions as well as changes to the legal and regulatory landscape in the Republic of Lebanon stemming from the above events and the declared Government's Recovery Plan have led to significant uncertainties and the full range of effects on the banking sector in general and on the Bank's financial standing is unknown.

Management has significant concerns about the effects that the above matters will have on the equity of the Bank and the recapitalization needs that will arise once the necessary adjustments are determined and recorded.

The Bank's Management's current strategy is to continue operations with limited scope of services and transactions, similarly to the banking sector as a whole, as they have since October 17, 2019.

As disclosed in Note 44 to these financial statements, the Bank's capital adequacy ratio as at December 31, 2020 and 2019, similarly to other applicable regulatory ratios, was calculated based on the disclosed figures, and did not take into consideration the adjustments that will result from the uncertainties reflected above once these uncertainties become reasonably quantifiable.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 New and amended IFRS that effective for the current year

The Bank has applied the following amendments to IFRS which became effective for annual periods beginning on or after January 1, 2020:

- *Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions*
  In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16). The amendments provide relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

- *IBOR Transition (Interest Rate Benchmark Reform)*
  In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (IBOR reform Phase 1). IBOR reform Phase 1 provides a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. Such reliefs permit to assume that hedging relationships are unaffected by the uncertainties caused by IBOR reform. This includes assuming that hedged cash flows are not altered as a result of IBOR reform. Also, the reliefs allow to not discontinue hedging relationships as a result of retrospective or prospective ineffectiveness. IBOR Reform Phase 1 also requires additional disclosures in relation to those hedging relationships to which the reliefs are applied.

- *Annual Improvements to IFRS Standards 2018–2020 Cycle amending IFRS 1, IFRS 9, IFRS 16, and IAS 41.*

- *Amendments to References to the Conceptual Framework in IFRS Standards*
  The amendments include consequential amendments to affected Standards so that they refer to the new *Framework*. Not all amendments, however, update those pronouncements with regard to references to and quotes from the *Framework* so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the *Framework* they are referencing to (the IASC *Framework* adopted by the IASB in 2001, the IASB *Framework* of 2010, or the new revised *Framework* of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised *Conceptual Framework*. The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

- *Amendments to IAS 3 Definition of a business*
  The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or Portfolio of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after January 1, 2020.

- *Amendments to IAS 1 and IAS 8 Definition of 'material'*
  The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the *Conceptual Framework* that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

The application of the above amendments to IFRS did not have a material impact on the Bank's accounting policies, financial position or performance.

2.3 New and revised IFRS in issue but not yet effective and not early adopted

At the date of authorization of these financial statements, the Bank has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- *Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16:* In August 2020 the IASB issued Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, (IBOR reform Phase 2) to address the accounting issues which arise upon the replacement of an IBOR with a risk-free rate ("RFR").

  IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to RFR. As a practical expedient, changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis. Effective for annual periods beginning on or after January 1, 2021.

- *IFRS 3 — Reference to the Conceptual Framework:* Amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. Effective for annual periods beginning on or after January 1, 2022.

- *IFRS 9 — Financial Instruments:* Amendments resulting from annual improvements to IFRS standards 2018-2020 (fees in the '10 per cent' test for derecognition of financial liabilities). Effective for annual periods beginning on or after January 1, 2022.

- *IAS 16 — Property, Plant and Equipment:* Amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. Effective for annual periods beginning on or after January 1, 2022.

- *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*: Amendments specify that the 'cost of fulfilling' a contract comprises the 'cost that relate directly to the contract'. Effective for annual periods beginning on or after January 1, 2022.

- Amendments to *IAS 1 Presentation of Financial Statements:* Amendments regarding the classification of liabilities as Current or Non-current. Effective for annual periods beginning on or after January 1, 2023.

- *IFRS 17 Insurance Contracts:* IFRS 17 supersedes IFRS 4 *Insurance Contracts* as at January 1, 2023.

  Effective for annual periods beginning on or after January 1, 2023.

- Amendments to *IFRS 10 Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture. Effective date deferred indefinitely. Adoption is still permitted.

The directors anticipate that these new standards, interpretations, and amendments will be adopted in the Bank's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendment, may have no material impact on the financial statements of the Bank in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standard Board (IASB).

The financial statements are presented in Lebanese Pound (LBP) which is the Bank's reporting currency. The primary currency of the economic environment in which the Bank operates (functional currency) is the Lebanese Pound. All values are rounded to the nearest thousands, except when indicated otherwise.

The financial statements have been prepared on the historical cost basis except for the following that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below:

- Land and buildings acquired prior to 1999 are measured at their revalued amounts based on market prices prevailing during 1999 as permitted by local regulations, to compensate for the inflationary effects prevailing in the earlier years.
- Financial assets and liabilities at fair value through profit and loss and other comprehensive income.
- Derivative financial instruments.
- Assets and liabilities classified as held for sale.

Hyperinflation in Lebanon

IAS 29 *'Financial Reporting in Hyperinflationary Economies'* does not prescribe when hyperinflation arises, however it does provide characteristics of an economic environment of a country which indicate hyperinflation and allows judgement as to when restatement of financial statements becomes necessary. Characteristics of the economic environment of a country which indicate the existence of hyperinflation include:

- the cumulative inflation rate over three years approaches, or exceeds 100%;
- the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;
- the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;
- sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short; and
- interest rates, wages, and prices are linked to a price index.

During the year ended December 31, 2020, the economic environment in Lebanon experienced the acceleration of inflation indices, a three-year cumulative inflation rate exceeding 100%, and the significant devaluation of the Lebanese Pound. Judgement applied, determine that there were sufficient characteristics in Lebanon to consider its economy hyperinflationary as of December 31, 2020.

The basic principles in IAS 29 is that the financial statements of an entity that reports in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current at the balance sheet date. Comparative figures for prior period(s) should be restated into the same current measuring unit.

Restatements are made by applying a general price index. Items such as monetary items that are already stated at the measuring unit at the balance sheet are not restated. Other items are restated based on the change in the general price index between the date those items were acquired or incurred and the balance sheet date.

A gain or loss on the net monetary position is included in net income. The restated amount of a non-monetary position is reduced, in accordance with appropriate IFRSs when it exceeds its recoverable amount.

The Bank has not applied the principles of IAS 29 in the preparation of these financial statements given, among other considerations, the significant divergence in market perception of the exchange rate in comparison to the official exchange rate; consensus on the use of same general price index across entities that report in Lebanese Pound; and any views of relevant regulators including taxation.

Summary of significant accounting policies

Following is a summary of the Bank's significant accounting policies:

A. Investments in subsidiaries

The Bank's investments in subsidiaries are accounted for under the cost method of accounting. Subsidiaries are entities that the Bank controls. The Bank controls an investee if and only if the Bank has:

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

B. Foreign currencies

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

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

C. Financial instruments

Financial assets and financial liabilities are recognized in the Bank's statement of financial position when the Bank becomes a party to the contractual provisions of the instrument.

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

If the transaction price differs from fair value at initial recognition, the Bank will account for such difference as follows:

- If fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognized in profit or loss on initial recognition (i.e. day 1 profit or loss);
- In all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day one profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

D. Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss.

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortized cost;
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI;
- All other debt instruments (e.g. debt instruments managed on a fair value basis or held for sale) and equity investments are subsequently measured at FVTPL.

However, the Bank may make the following irrevocable election / designation at initial recognition of a financial asset on an asset-by-asset basis:

- The Bank may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, in OCI; and
- The Bank may irrevocably designate a debt instrument that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Debt instruments at amortized cost or at FVTOCI

For an asset to be classified and measured at amortized cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Bank determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Bank's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

When a debt instrument measured at FVTOCI is derecognized, the cumulative gain/loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity.

The Bank reassess its business models each reporting period to determine whether the business models have changed since the preceding period.

Debt instruments that are subsequently measured at amortized cost or at FVTOCI are subject to impairment.

In the current and prior reporting period the Bank has applied the fair value option and so has designated debt instruments that meet the amortized cost or FVTOCI criteria as measured at FVTPL.

Financial assets at FVTPL

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described below.

Reclassifications

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Bank's financial assets.

Impairment

The Bank recognizes loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- deposits at banks
- loans and advances to banks
- loans and advances to customers
- customers' liability under acceptances
- debt investment securities
- loan commitments issued; and
- financial guarantee contracts issued.

No impairment loss is recognized on equity investments.

With the exception of Purchased or Originated Credit Impaired (POCI) financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

- for undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the commitment draws down the loan and the cash flows that the Bank expects to receive if the loan is drawn down; and
- for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Bank expects to receive from the holder, the debtor or any other party.

The Bank measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer
- a breach of contract such as a default or past due event
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit impaired. The Bank assesses whether debt instruments that are financial assets measured at amortized cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

Purchased or originated credit impaired (POCI) financial assets

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Bank recognizes all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognized in profit or loss. A favorable change for such assets creates an impairment gain.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Bank considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Bank; or
- the borrower is unlikely to pay its credit obligations to the Bank in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

Significant increase in credit risk

The Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

When a financial asset is modified the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy a modification results in derecognition when it gives rise to substantially different terms.

The Bank derecognizes a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognized in OCI and accumulated in equity is recognized in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain/loss allocated to it that had been recognized in OCI is recognized in profit or loss. A cumulative gain/loss that had been recognized in OCI is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

Exchange of securities

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

Repurchase and Reverse Repurchase Agreements

Securities sold under agreements to repurchase at a specified future date ("repos") are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized on the statement of financial position reflecting its economic substances as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, securities purchased under agreements to resell at a specified date are not recognized in the statement of financial position. The consideration paid, including accrued interest is recorded in the statement of financial position reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is treated as interest income in the statement of profit or loss and is accrued over the life of the agreement using the effective interest rate method.

Write-off

Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: no loss allowance is recognized in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments' revaluation reserve;
- for loan commitments and financial guarantee contracts: as a provision; and
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

E. Financial liabilities and equity

Classification as debt or equity:

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

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

Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue, or cancellation of the Bank's own equity instruments.

The component parts of compound instruments (convertible notes) issued by the Bank are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments is an equity instrument.

Financial Liabilities:

Financial Liabilities that are not held-for-trading and are not designated as at FVTPL are subsequently measured at amortized cost using the effective interest method.

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

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

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

F. Offsetting

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

G. Fair Value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured by taking into account the characteristics of the asset or liability that if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

For financial reporting purposes, fair value measurement are categorized into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that
- the entity can access at the measurement date;
- Level 2 - Inputs, other than quoted prices included within Level 1, that are observable for the asset and liability either directly or indirectly; and
- Level 3 - Inputs are unobservable inputs for the asset or liability.

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

Embedded Derivatives

Derivatives embedded in other financial instruments or other host contracts with embedded derivatives are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contract:

- is not measured at fair value with changes in fair value recognized in profit or loss.
- is not an asset within the scope of IFRS 9.

I. Financial guarantee contracts
A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- The amount of the loss allowance determined in accordance with IFRS 9; and
- The amount initially recognized less, where appropriate, cumulative amount of income recognized in accordance with the Bank's revenue recognition policies.

The Bank has not designated any financial guarantee contracts as at FVTPL.

J. Hedge accounting
The Bank designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. The Bank does not apply fair value hedge accounting of portfolio hedges of interest rate risk. In addition, the Bank does not use the exemption to continue using IAS 39 hedge accounting rules, i.e. the Bank applies IFRS 9 hedge accounting rules in full.

At the inception of the hedge relationship, the Bank documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

Furthermore, at the inception of the hedge and on an ongoing basis, the Bank documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet 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; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Bank actually hedges and the quantity of the hedging instrument that the Bank actually uses to hedge that quantity of hedged item.

The Bank rebalances a hedging relationship in order to comply with the hedge ratio requirements when necessary. In such cases discontinuation may apply to only part of the hedging relationship. For example, the hedge ratio might be adjusted in such a way that some of the volume of the hedged item is no longer part of a hedging relationship, hence hedge accounting is discontinued only for the volume of the hedged item that is no longer part of the hedging relationship.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Bank adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

In some hedge relationships the Bank designates only the intrinsic value of options. In this case the fair value change of the time value component of the option contract is deferred in OCI, over the term of the hedge, to the extent that it relates to the hedged item and is reclassified from equity to profit or loss when the hedged item does not result in the recognition of a non-financial item. The Bank's risk management policy does not include hedges of items that result in the recognition of non-financial items, because the Bank's risk exposures relate to financial items only.

The hedged items designated by the Bank are time-period related hedged items, which means that the amount of the original time value of the option that relates to the hedged item is amortized from equity to profit or loss on a rational basis (e.g. straight-line) over the term of the hedging relationship.

In some hedge relationships the Bank excludes from the designation the forward element of forward contracts or the currency basis spread of cross currency hedging instruments. In this case a similar treatment is applied to the one applied for the time value of options. The treatment for the forward element of a forward and the currency basis element is optional, and the option is applied on a hedge by hedge basis, unlike the treatment for the time value of the options which is mandatory. For hedge relationships with forwards or foreign currency derivatives such as cross currency interest rate swaps, where the forward element or the currency basis spread is excluded from the designation the Bank generally recognizes the excluded element in OCI.

Fair value hedges

The fair value change on qualifying hedging instruments is recognized in profit or loss except when the hedging instrument hedges an equity instrument designated at FVTOCI in which case it is recognized in OCI.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the part of the fair value gain or loss on the hedged item associated with the hedged risk is recognized in profit or loss instead of OCI. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain/loss remains in OCI to match that of the hedging instrument.

Where hedging gains/losses are recognized in profit or loss, they are recognized in the same line as the hedged item.

The Bank discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of hedged items for which the EIR method is used (i.e. debt instruments measured at amortized cost or at FVTOCI) arising from the hedged risk is amortized to profit or loss commencing no later than the date when hedge accounting is discontinued.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in the cash flow hedging reserve, a separate component of OCI, limited to the cumulative change in fair value of the hedged item from inception of the hedge less any amounts recycled to profit or loss.

Amounts previously recognized in OCI and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. If the Bank no longer expects the transaction to occur that amount is immediately reclassified to profit or loss.

The Bank discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised, or where the occurrence of the designated hedged forecast transaction is no longer considered to be highly probable. The discontinuation is accounted for prospectively. Any gain/loss recognized in OCI and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain/loss accumulated in equity is reclassified and recognized immediately in profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain/loss on the hedging instrument relating to the effective portion of the hedge is recognized in OCI and accumulated in the foreign currency translation reserve.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss in the same way as exchange differences relating to the foreign operation.

K. Non-Current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group)
and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

L. Property and equipment

Property and equipment except for buildings acquired prior to 1999 are stated at historical cost, less accumulated depreciation and impairment loss, if any. Buildings acquired prior to 1999 are stated at their revalued amounts, based on market prices prevailing during 1999 less accumulated depreciation and impairment loss, if any.

Depreciation is recognized so as to write off the cost or valuation of property and equipment, other than land and advance payments on capital expenditures less their residual values, if any, using the straight-line method over the useful lives estimated as follows:

	%
Buildings	2-4
Office improvements and installations	20
Furniture, equipment and machines	8-20
Computer equipment	20-33
Vehicles	10-20

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

M. Intangible assets

Other intangible assets that are acquired by the Bank and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets other than goodwill are amortized on a straight line over their estimated useful lives as follows:

Computer software	5 years
Key money	15 years

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

N. Leases

The Bank as lessee

The Bank assesses whether contract is or contains a lease, at inception of the contract. The Bank recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Bank recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line item in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'General and administrative expenses' in the statement of profit or loss.

O. Assets acquired in satisfaction of loans

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

Upon sale of repossessed assets, any gain or loss realized is recognized as a separate line item in the statement of profit or loss. Gains resulting from the sale of repossessed assets are transferred to reserves to be used for capital increase starting in the following financial year.

P. Impairment of non-financial assets

At the end of each reporting period, the Bank reviews the carrying amounts of its non-financial assets, other than investment properties and deferred taxes, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Goodwill is tested annually for impairment. Recoverable amount is the higher of fair value less costs to sell and value in use.

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

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

Q. Provision for employees' end-of-service indemnity

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

R. Provisions

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

S. Deferred restricted contributions

Restricted contributions derived from special and non-conventional deals arrangement concluded with the regulator are deferred until designated conditions for recognition are met. At the time income is received it is deferred under "regulatory deferred liability" and applied to the designated purpose according to the regulator's requirements.

T. Net Interest income

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at FVTPL are recognized in 'Net interest income' as 'Interest income' and 'Interest expense' in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period, see 'Net interest and other gain on investment securities at fair value through profit or loss'.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognized in profit or loss at initial recognition.

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortized cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortized cost of financial liabilities.

U. Net fee and commission income

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

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

V. Dividend income

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

W. Income tax

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

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

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

X. Fiduciary accounts

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

Y. Cash and cash equivalents

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognized in financial statements:

Going Concern:

Notwithstanding the uncertainties resulting from the events and conditions disclosed under Note 1, these financial statements have been prepared based on the going concern assumption which assumes that the Bank will have adequate resources to continue in operational existence for the foreseeable future. The Board of Directors are monitoring the situation and believe that they are taking all possible attainable measures under these circumstances to maintain the viability of the Bank and continue operations in the current business environment.

Deferred tax assets:
Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized within the regulatory expiration period. 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. When assessing if it is probable that future taxable profits will be available, management considers all available evidence, both negative and positive. In the light of the current circumstances and uncertainties described in Note 1, management did not recognize deferred tax assets.

Business model assessment:
Classification and measurement of financial assets depends on the results of the SPPI and the business model test (Refer to the financial assets sections of note 3). The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed. The Bank monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase of credit risk:
As explained in note 3, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information. Refer to note 3 and note 41 for more details.

Establishing groups of assets with similar credit risk characteristics:
When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to note 3 for details of the characteristics considered in this judgement. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar.

Models and assumptions used:
The Bank uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See note 3 and note 42 for more details on ECL.

B. Key Sources of Estimation Uncertainty:

The following are key estimations that the directors have used in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognized in financial statements:

Macroeconomic Factors and Forward-Looking Information:
The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

Probability of default (PD):
PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss Given default:
LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

5. CASH AND BALANCES WITH CENTRAL BANK OF LEBANON

	December 31,			
	2020		2019	
	Balance	of which compulsory/ regulatory deposits	Balance	of which compulsory/ regulatory deposits
	LBP'000	LBP'000	LBP'000	LBP'000
Cash on hand	38,491,940	-	17,650,581	-
Central Bank of Lebanon:				
Current accounts	578,642,630	40,264,821	187,214,490	67,258,845
Term placements	1,596,631,492	512,360,130	1,724,250,619	546,266,444
Accrued interest receivable	27,196,813	-	31,250,492	-
	2,240,962,875	552,624,951	1,960,366,182	613,525,289
Allowance for expected credit losses (Note 42)	(3,402,320)	-	(1,094,154)	-
	2,237,560,555	552,624,951	1,959,272,028	613,525,289

Compulsory deposits under current accounts with Central Bank of Lebanon are in Lebanese Pounds and non-interest earning. These deposits are computed on the basis of 25% and 15% of the average weekly sight and term customers' deposits in Lebanese Pounds subject to certain exemptions, in accordance with local banking regulations. These deposits are not available for use in the Bank's day-to-day operations.

Regulatory deposits under term placements with Central Bank of Lebanon are made in accordance with local banking regulations which require banks to maintain interest earning placements in foreign currency to the extent of 15% of customers' deposits in foreign currencies, certificates of deposit and borrowings acquired from non-resident financial institutions.

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

	December 31,	
	2020	2019
	LBP'000	LBP'000
Items for collection	-	10,434
Current accounts with banks and financial institutions	23,228,066	37,354,469
Current accounts with the Parent Bank	4,956,943	2,115,671
Current accounts with related banks and financial institutions	4,981,288	952,223
	33,166,297	40,432,797
Term placements with the Parent Bank	67,686,750	-
Margin accounts	814,742	1,059,452
	68,501,492	1,059,452
	101,667,789	41,492,249
Allowance for expected credit losses (Note 42)	(1,441,411)	(123,088)
	100,226,378	41,369,161

Above balances are allocated between onshore and offshore accounts as follows:

	December 31,	
	2020	2019
	LBP'000	LBP'000
Onshore	73,376,965	2,695,137
Offshore	28,290,824	38,797,112
	101,667,789	41,492,249

7. LOAN TO A BANK

	December 31,	
	2020	2019
	LBP'000	LBP'000
Regular performing account	1,400,000	2,100,000
Accrued interest receivable	11,305	18,288
	1,411,305	2,118,288
Allowance for expected credit losses (Note 42)	(26,674)	(40,036)
	1,384,631	2,078,252

The above loan is secured against a pledge of notes receivable against housing loans granted by the borrower. The loan principal balance matures over 10 yearly payments of LBP700 million each with final payment in year 2022.

8. LOANS AND ADVANCES TO CUSTOMERS

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

	December 31, 2020		
	Exposures (net of interest in suspense)	Allowance for expected credit losses	Net
	LBP'000	LBP'000	LBP'000
Credit risk stage 1&2:			
Retail loans:			
Housing loans	450,930,781	(4,257,044)	446,673,737
Personal loans	123,211,088	(5,220,231)	117,990,857
Car loans	45,553,160	(1,177,358)	44,375,802
Credit cards	8,913,453	(202,307)	8,711,146
Education loans	8,419,796	(56,109)	8,363,687
Staff loans	4,494,850	-	4,494,850
Private banking	5,332	-	5,332
Small and medium enterprises	148,830,354	(2,831,613)	145,998,741
Corporates	464,637,844	(31,576,131)	433,061,713
	1,254,996,658	(45,320,793)	1,209,675,865
Credit risk stage 3:			
Substandard	73,335,953	(18,918,944)	54,417,009
Doubtful	154,089,563	(64,071,026)	90,018,537
Bad	38,764,146	(38,747,001)	17,145
	266,189,662	(121,736,971)	144,452,691
	1,521,186,320	(167,057,764)	1,354,128,556
Accrued interest receivable	18,871,755	-	18,871,755
Total	1,540,058,075	(167,057,764)	1,373,000,311

	December 31, 2019		
	Exposures (net of interest in suspense	Allowance for expected credit losses	Net
	LBP'000	LBP'000	LBP'000
Credit risk staging 1&2:			
Retail loans:			
Housing loans	536,316,092	(2,481,430)	533,834,662
Personal loans	204,051,337	(5,995,917)	198,055,420
Car loans	86,124,462	(1,545,409)	84,579,053
Credit cards	18,143,932	(347,563)	17,796,369
Education loans	11,611,515	(47,173)	11,564,342
Staff loans	7,556,456	-	7,556,456
Private banking	1,025,577	-	1,025,577
Small and medium enterprises	270,490,617	(1,805,275)	268,685,342
Corporates	844,190,570	(48,204,685)	795,985,885
	1,979,510,558	(60,427,452)	1,919,083,106
Credit risk staging 3:			
Substandard	64,529,283	(13,398,543)	51,130,740
Doubtful	137,841,162	(60,253,197)	77,587,965
Bad	45,857,430	(45,640,120)	217,310
	248,227,875	(119,291,860)	128,936,015
	2,227,738,433	(179,719,312)	2,048,019,121
Accrued interest receivable	23,581,866	-	23,581,866
Total	2,251,320,299	(179,719,312)	2,071,600,987

The above balances include loans to related parties of LBP5.2billion (2019: LBP7.1billion).

9. INVESTMENT SECURITIES

	December 31,					
	2020			2019		
	Local currency	Foreign currencies	Total	Local currency	Foreign currencies	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
At fair value through profit or loss	1,370,420	9,483,818	10,854,238	5,180,550	30,789,181	35,969,731
Accrued interest receivable	-	-	-	-	137,988	137,988
	1,370,420	9,483,818	10,854,238	5,180,550	30,927,169	36,107,719
At fair value through other comprehensive income	13,665,607	37,621,608	51,287,215	57,716,787	38,833,460	96,550,247
Accrued interest receivable	119,442	-	119,442	766,944	178,689	945,633
	13,785,049	37,621,608	51,406,657	58,483,731	39,012,149	97,495,880
At amortized cost	765,852,628	1,124,638,809	1,890,491,437	965,371,514	1,214,910,500	2,180,282,014
Accrued interest receivable	25,053,118	849,420	25,902,538	27,525,980	6,004,242	33,530,222
	790,905,746	1,125,488,229	1,916,393,975	992,897,494	1,220,914,742	2,213,812,236

A. Investments at fair value through profit or loss:

	December 31,					
	2020			2019		
	Local currency	Foreign currencies	Total	Local currency	Foreign currencies	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Quoted equities	-	6,150,799	6,150,799	-	2,892,528	2,892,528
Unquoted equities	1,370,420	3,016,444	4,386,864	1,177,962	1,885,836	3,063,798
Foreign Eurobonds	-	-	-	-	20,006,530	20,006,530
Mutual Funds	-	316,575	316,575	4,002,588	6,004,287	10,006,875
	1,370,420	9,483,818	10,854,238	5,180,550	30,789,181	35,969,731
Accrued interest receivable	-	-	-	-	137,988	137,988
	1,370,420	9,483,818	10,854,238	5,180,550	30,927,169	36,107,719

Unquoted equities represent the Bank's share in startups established based on co-sharing agreement with the regulator providing the funding.

B. Investments at fair value through other comprehensive income:

	December 31,					
	2020			2019		
	Local currency	Foreign currencies	Total	Local currencies	Foreign currencies	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Unquoted equities	5,601,841	1,095,976	6,697,817	17,079,305	1,131,351	18,210,656
Lebanese government bonds	-	36,525,632	36,525,632	-	37,702,109	37,702,109
Lebanese treasury bills	8,063,766	-	8,063,766	40,637,482	-	40,637,482
	13,665,607	37,621,608	51,287,215	57,716,787	38,833,460	96,550,247
Accrued interest receivable	119,442	-	119,442	766,944	178,689	945,633
	13,785,049	37,621,608	51,406,657	58,483,731	39,012,149	97,495,880

The cumulative change in fair value of investments at fair value through other comprehensive income was as follows:

	December 31,	
	2020	2019
	LBP'000	LBP'000
Unquoted equities	(1,752,742)	9,766,860
Lebanese government bonds	(3,543,445)	(3,755,618)
Lebanese treasury bills	(2,792)	4,876
	(5,298,979)	6,016,118

C. Investments at amortized cost:

	December 31, 2020							
	Local currency				Foreign currencies			
	Amortized cost	Allowance for expected credit losses	Net carrying value	Accrued interest receivable	Amortized cost	Allowance for expected credit losses	Net carrying value	Accrued interest receivable
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Lebanese treasury bills	169,307,126	-	169,307,126	3,271,698	-	-	-	-
Lebanese government bonds	-	(74,621,250)	(74,621,250)	-	971,299,772	(19,115,447)	952,184,325	-
Certificates of deposit issued by Central Bank of Lebanon	669,964,128	-	669,964,128	21,763,082	171,684,660	(170,290)	171,514,370	837,290
Corporate bonds and asset backed securities	1,211,479	(8,855)	1,202,624	18,338	947,020	(6,906)	940,114	12,130
	840,482,733	(74,630,105)	765,852,628	25,053,118	1,143,931,452	(19,292,643)	1,124,638,809	849,420

	December 31, 2019							
	Local currency				Foreign currencies			
	Amortized cost	Allowance for expected credit losses	Net carrying value	Accrued interest receivable	Amortized cost	Allowance for expected credit losses	Net carrying value	Accrued interest receivable
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Lebanese treasury bills	211,408,478	-	211,408,478	3,944,692	-	-	-	-
Lebanese government bonds	-	(19,597,500)	(19,597,500)	-	1,036,894,450	(19,859,296)	1,017,035,154	4,794,981
Certificates of deposit issued by Central Bank of Lebanon	769,230,473	-	769,230,473	23,504,007	171,669,689	(172,507)	171,497,182	837,290
Corporate bonds and asset backed securities	4,350,000	(19,937)	4,330,063	77,281	26,499,173	(121,009)	26,378,164	371,971
	984,988,951	(19,617,437)	965,371,514	27,525,980	1,235,063,312	(20,152,812)	1,214,910,500	6,004,242

Lebanese treasury bills and certificates of deposit issued by Central Bank of Lebanon amounting to LBP15.22billion and LBP7.94billion respectively (2019: LBP15.22billion and LBP7.94billion respectively) are pledged against borrowings from Central Bank of Lebanon (Note 41).

Debt securities at amortized cost are segregated over the remaining period to maturity as follows:

	December 31, 2020					
	Local currency			Foreign currencies		
Remaining period to maturity	Nominal value	Amortized cost	Average coupon rate	Nominal value	Amortized cost	Average coupon rate
	LBP'000	LBP'000	%	LBP'000	LBP'000	%
Lebanese treasury bills:						
Up to one year	54,620,000	54,704,904	6.49	-	-	-
1 year to 3 years	72,725,000	73,007,269	6.36	-	-	-
3 years to 5 years	23,155,020	24,481,809	8.52	-	-	-
5 years to 10 years	1,648,000	1,648,000	7.46	-	-	-
Above 10 years	15,124,490	15,465,144	10.50	-	-	-
	167,272,510	169,307,126		-	-	
Lebanese government bonds:						
Past due (defaulted)	-	-	-	19,597,500	19,597,500	-
Up to one year (defaulted)	-	-	-	98,377,943	98,394,990	-
1 year to 3 years (defaulted)	-	-	-	52,536,375	51,845,657	-
3 years to 5 years (defaulted)	-	-	-	192,560,513	193,122,245	-
5 years to 10 years (defaulted)	-	-	-	249,554,565	250,791,467	-
Above 10 years (defaulted)	-	-	-	357,352,875	357,547,913	-
	-	-		969,979,771	971,299,772	
Certificates of deposit issued by Central Bank of Lebanon:						
1 year to 3 years	-	-	-	1,206,000	1,186,410	5.80
3 years to 5 years	-	-	-	22,612,500	22,612,500	6.48
5 years to 10 years	11,000,000	12,325,415	9.20	147,885,750	147,885,750	6.78
Above 10 years	649,000,000	657,638,713	10.89	-	-	-
	660,000,000	669,964,128		171,704,250	171,684,660	
Corporate bonds & asset backed securities:						
5 years to 10 years	1,211,479	1,211,479	7.94	947,020	947,020	5.50
	1,211,479	1,211,479		947,020	947,020	

No interest income on defaulted Lebanese government bonds is being recognized by the Bank.

Remaining period to maturity	December 31, 2019					
	Local currency			Foreign currencies		
	Nominal value LBP'000	Amortized cost LBP'000	Average coupon Rate %	Nominal value LBP'000	Amortized cost LBP'000	Average coupon rate %
Lebanese treasury bills:						
Up to one year	41,500,000	41,503,583	7.80	-	-	-
1 year to 3 years	127,345,000	128,067,288	6.41	-	-	-
3 years to 5 years	3,155,000	3,153,013	7.11	-	-	-
5 years to 10 years	21,648,020	23,207,210	8.64	-	-	-
Above 10 years	15,124,490	15,477,384	10.50	-	-	-
	208,772,510	211,408,478		-	-	
Lebanese government bonds:						
Up to one year (defaulted)	-	-	-	85,188,067	85,194,908	6.29
1 year to 3 years (defaulted)	-	-	-	131,542,943	131,026,258	7.71
3 years to 5 years (defaulted)	-	-	-	29,923,875	29,921,318	6.35
5 years to 10 years (defaulted)	-	-	-	408,625,965	410,266,461	6.45
Above 10 years (defaulted)	-	-	-	380,289,488	380,485,505	7.02
	-	-		1,035,570,338	1,036,894,450	
Certificates of deposit issued by Central Bank of Lebanon:						
1 year to 3 years	-	-	-	1,206,000	1,171,439	5.80
3 years to 5 years	-	-	-	22,612,500	22,612,500	6.48
5 years to 10 years	22,000,000	24,900,402	9.20	147,885,750	147,885,750	6.78
Above 10 years	735,000,000	744,330,071	10.70	-	-	-
	757,000,000	769,230,473		171,704,250	171,669,689	
Corporate bonds & asset backed securities:						
5 years to 10 years	4,350,000	4,350,000	7.83	26,499,173	26,499,173	6.74
	4,350,000	4,350,000		26,499,173	26,499,173	

During 2020 and 2019, the Bank entered into swap deals with the Central Bank of Lebanon to enhance the yield on its investments and term placements with Central Bank as follows:

	Classification	Nominal Value	
		December 31, 2020 LBP'000	December 31, 2019 LBP'000
Sold through swap:			
Term placements with Central Bank of Lebanon in LBP	Amortized cost	(135,443,000)	-
Certificates of deposit issued by Central Bank of Lebanon	Amortized cost	(11,000,000)	(371,154,000)
		(146,443,000)	(371,154,000)
Acquired through swap:			
Term placements with Central Bank of Lebanon	Amortized cost	111,774,000	56,110,000
Current accounts with the Central Bank of Lebanon	Amortized cost	25,738,000	-
Certificates of deposit issued by Central Bank of Lebanon	Amortized cost	-	306,000,000
		137,512,000	362,110,000

During 2020, the Bank entered into swap transaction of certificates of deposit in Lebanese Pounds of aggregate nominal value of LBP11billion in addition to the unwinding of placements with the Central Bank of Lebanon in Lebanese Pounds of aggregate nominal value of LBP135.4billion, concluded in conjunction with the acquisition of placements with the Central Bank of Lebanon in Lebanese Pounds in an aggregate nominal value of LBP111.8billion and current account with Central Bank of Lebanon in the amount of USD17million (C/V in LBP25.7billion). The new securities mature in 2037 and yielding 1% on average per annum.

During 2019, the Bank entered into swap transaction of certificates of deposit in Lebanese Pounds of aggregate nominal value of LBP300billion in addition to certificates of deposit in U.S. Dollars of aggregate nominal value of USD47.2million, concluded in conjunction with the acquisition of certificates of deposit with the Central Bank of Lebanon in Lebanese Pounds in an aggregate nominal value of LBP306billion along with the acquisition of term placements with the Central Bank of Lebanon in Lebanese Pounds and U.S. Dollars in the aggregate amount of LBP7.3billion and USD32.4million, respectively. The premium resulting from the above transaction was deferred as yield enhancement on the new portfolio with longer maturity. The new securities mature in 2049 and yielding 11.92% on average per annum.

10. ASSETS UNDER LEVERAGE ARRANGEMENT WITH THE CENTRAL BANK OF LEBANON

	December 31,	
	2020	2019
	LBP'000	LBP'000
Assets under leverage arrangements:		
Term placements with Central Bank of Lebanon	355,831,000	348,295,000
Lebanese treasury bills at amortized cost	88,845,980	88,845,980
	444,676,980	437,140,980
Less:		
Borrowings under leverage arrangements	444,676,980	437,140,980
Net	-	-

Assets under leverage arrangement consist of term placements with the Central Bank of Lebanon and Lebanese Treasury bills in LBP subject to interest rates between 3.26% and 10.66% originated from and are pledged against the corresponding leverage arrangements with the Central Bank of Lebanon for the same amounts in LBP (bearing a 2% interest rate), with the purpose of providing yield adjustment on certain transactions related to either fresh deposits in foreign currency or sale of foreign currency against LBP placed in term deposits at the Central Bank of Lebanon and/or Government securities.

The leverage and related pledged assets mechanism resulted in a yield enhancement on the following financial assets:

	December 31,	
	2020	2019
	LBP'000	LBP'000
Term placements with Central Bank of Lebanon in U.S. Dollars	73,038,375	73,038,375
Term placements with Central Bank of Lebanon in Euro	64,828,800	72,231,872
Term placements with Central Bank of Lebanon in LBP originated from the sale of foreign currency	196,842,867	190,839,950
Term placements with Central Bank of Lebanon in LBP originated from the swap of certificates of deposit in foreign currency	19,682,000	19,682,000
	354,392,042	355,792,197

During 2020, the Bank signed with Central Bank of Lebanon a netting agreement allowing to offset the "assets under leverage arrangement" versus the borrowing from the Central Bank. The agreement covered financial assets and liabilities resulting from transactions that took place before the netting agreement date that have not yet matured. As such the Bank has presented "time deposits with Central Bank of Lebanon" and term borrowing from Central Bank of Lebanon" on a net basis for the years ended December 31, 2020 and 2019 for comparative purpose.

11. CUSTOMERS' LIABILITY UNDER ACCEPTANCES

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

12. INVESTMENTS IN SUBSIDIARIES

December 31, 2020								
				Bank's Interest in:				
Name	Country of Incorporation	Interest Held	Carrying Value	Assets	Liabilities	Revenues	Equity	Net Profit
		%	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
BLC Finance S.A.L.	Lebanon	99.04	7,614,110	8,762,645	64,179	221,372	8,698,466	141,355
BLC Services S.A.L.	Lebanon	90.67	27,200	4,440,881	739,707	2,401,396	3,701,174	364,835
USB Holdings PLC	Cyprus	99.25	96,777,303	23,670,957	838,006	-	22,832,951	-
BLC Invest S.A.L. (under liquidation)	Lebanon	-	-	-	-	-	-	-
			104,418,613	36,874,483	1,641,892	2,622,768	35,232,591	506,189

December 31, 2019								
				Bank's Interest in:				
Name	Country of Incorporation	Interest Held	Carrying Value	Assets	Liabilities	Revenues	Equity	Net Profit
		%	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
BLC Finance S.A.L.	Lebanon	99.04	7,614,110	8,621,258	64,145	240,754	8,557,111	184,340
BLC Services S.A.L.	Lebanon	90.67	27,200	4,305,455	969,117	3,861,424	3,336,340	934,061
USB Holdings PLC	Cyprus	99.25	88,187,005	21,569,839	763,623	-	20,806,216	-
BLC Invest S.A.L. (under liquidation)	Lebanon	-	-	-	-	-	-	-
			95,828,315	34,496,552	1,796,885	4,102,178	32,699,667	1,118,401

During 2017, a term sheet was signed between the Bank's major shareholders, namely Fransabank S.A.L. and Sehnaoui group, whereby the Bank's investment in USB Holdings PLC (formerly USB Bank PLC) will be sold to Sehnaoui group who in turn will exit their investment at BLC Bank S.A.L. subject to certain terms and conditions including securing the regulators' approval in Cyprus and Lebanon.

In its meeting held on August 16, 2018, the Board of Directors resolved to sell its investment in USB Holdings PLC to AstroBank Limited, a Cyprus registered Bank, which is owned by a group of investors including Sehnaoui group.

During 2019, and in conjunction with the sale, a total consideration of LBP98billion (EUR57million) was received representing net assets of USB Holdings PLC excluding the Company's real estate properties. Proceeds from the sale of these properties will be collected upon completion of formalities. Moreover, BLC Bank S.A.L. bought-back 10% of its own shares that were owned by Sehnaoui Holding for an aggregate amount of USD43million and EUR6.5million.

The movement of investments in subsidiaries during 2020 and 2019 was as follows:

	2020	2019
	LBP'000	LBP'000
Balance January 1	95,828,315	119,396,678
Partial sale of investment in USB	-	(27,971,971)
Effect of foreign investment currency exchange difference	8,590,298	(2,033,361)
Transfer to provision for contingencies for held-for-sale subsidiary	-	1,180,823
Write-back of provision for devaluation in investment (Note 35)	-	5,252,146
Others	-	4,000
Balance December 31	104,418,613	95,828,315

13. ASSETS ACQUIRED IN SATISFACTION OF LOANS

The acquisition of assets in settlement of loans is regulated by the banking regulatory authorities and these should be liquidated within 2 years. In case of default of liquidation, a regulatory reserve should be appropriated from the yearly net profits (Note 26).

The movement of assets acquired in satisfaction of loans was as follows:

	Cost	Impairment	Carrying value
	LBP'000	LBP'000	LBP'000
Balance January 1, 2019	92,278,486	(8,417,140)	83,861,346
Additions	1,051,252	-	1,051,252
Disposals	(1,139,243)	202,686	(936,557)
Balance December 31, 2019	92,190,495	(8,214,454)	83,976,041
Disposals	(14,387,672)	275,477	(14,112,195)
Balance December 31, 2020	77,802,823	(7,938,977)	69,863,846

Gain on disposal of assets acquired in satisfaction of loans during the year amounted to LBP15.7billion included in profit or loss (2019: LBP1.43billion).

14. LEASES

The Bank only operates as a lessee for the Bank's branches. The average lease term is 7 years.

Set out below, are the carrying amounts of the Bank's right-of-use assets and lease liabilities and their related movement during the year:

	Right-of-use assets	Lease liabilities
	LBP'000	LBP'000
Balance January 1, 2019	25,340,800	23,062,657
Amortization of right-of-use assets	(2,991,207)	-
Accretion of interest	-	1,844,185
Payments	-	(2,840,988)
Balance December 31, 2019	22,349,593	22,065,854
Termination of rent contracts	(813,108)	(648,354)
Amortization of right-of-use assets	(2,919,836)	-
Accretion of interest	-	1,741,328
Payments	-	(3,480,120)
Balance December 31, 2020	18,616,649	19,678,708

The following are the amounts recognized in profit or loss during the year:

	2020	2019
	LBP'000	LBP'000
Amortization of right-of-use assets	3,732,944	2,991,207
Interest portion of lease liabilities	1,092,974	1,844,185
	4,825,918	4,835,392

15. PROPERTY AND EQUIPMENT

	Balance January 1, 2020 LBP'000	Additions LBP'000	Disposals and adjustments LBP'000	Transfers LBP'000	Transfer to intangible assets LBP'000	Balance December 31, 2020 LBP'000
Cost/Revaluation:						
Owned properties	89,264,582	-	(1,493,964)	-	-	87,770,618
Computer hardware	18,116,221	82,452	(27,074)	275,653	-	18,447,252
Machines and equipment	6,394,311	66,368	(270,099)	326,178	-	6,523,980
Furniture and fixtures	6,507,853	21,636	(11,383)	-	-	6,518,106
Vehicles	1,124,747	-	(140,770)	-	-	983,977
Freehold and leasehold improvements	34,435,328	46,291	(489,617)	1,927,377	-	35,919,379
	155,843,042	216,747	(2,432,907)	2,529,208	-	156,156,090
Accumulated depreciation	(62,821,104)	(6,208,741)	1,408,936	-	-	(67,620,909)
Allowance for impairment	(65,308)	-	-	-	-	(65,308)
	(62,886,412)	(6,208,741)	1,408,936	-	-	(67,686,217)
Capital work-in-progress	1,925,320	3,233,478	-	(2,529,208)	(1,274,166)	1,355,424
Carrying values	94,881,950					89,825,297

	Balance January 1, 2019 LBP'000	Additions LBP'000	Disposals and adjustments LBP'000	Transfers LBP'000	Transfer to intangible Assets LBP'000	Balance December 31, 2019 LBP'000
Cost/Revaluation:						
Owned properties	61,194,477	1,549,615	-	26,520,490	-	89,264,582
Computer hardware	17,368,799	754,233	(6,811)	-	-	18,116,221
Machines and equipment	6,192,122	222,951	(20,762)	-	-	6,394,311
Furniture and fixtures	6,197,300	183,498	(2,742)	129,797	-	6,507,853
Vehicles	1,038,067	86,680	-	-	-	1,124,747
Freehold and leasehold Improvements	30,664,334	1,384,518	-	2,386,476	-	34,435,328
	122,655,099	4,181,495	(30,315)	29,036,763	-	155,843,042
Accumulated depreciation	(56,885,411)	(5,955,642)	19,949	-	-	(62,821,104)
Allowance for impairment of owned properties	(65,308)	-	-	-	-	(65,308)
	(56,950,719)	(5,955,642)	19,949	-	-	(62,886,412)
Capital work-in-progress	24,190,659	6,912,080	-	(29,036,763)	(140,656)	1,925,320
Carrying values	89,895,039					94,881,950

Gain on disposal of property and equipment during the year amounted to LBP332million included in profit or loss (2019: Loss of LBP7million).

16. INTANGIBLE ASSETS

	Carrying Value January 1, 2020	Additions	Amortization for the Year	Transfer from Advance Payments Under Property and Equipment	Carrying Value December 31, 2020
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Computer software	4,575,856	233,769	(1,440,270)	1,274,166	4,643,521
	4,575,856	233,769	(1,440,270)	1,274,166	4,643,521

	Carrying Value January 1, 2019	Additions	Amortization for the Year	Transfer from Advance Payments Under Property and Equipment	Carrying Value December 31, 2019
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Computer software	4,285,135	1,482,829	(1,332,764)	140,656	4,575,856
	4,285,135	1,482,829	(1,332,764)	140,656	4,575,856

17. OTHER ASSETS

	December 31, 2020	December 31, 2019
	LBP'000	LBP'000
Prepayments	6,959,853	8,372,174
Commission receivable	1,093,825	763,214
Sundry debtors (a)	18,488,237	16,923,819
Sundry receivable from Central Bank of Lebanon	1,505,854	-
Regulatory blocked deposit (b)	4,500,000	4,500,000
Fair value of forward exchange contracts	51,841	211,118
Accrued interest subsidy from Central Bank of Lebanon	600,000	-
	33,199,610	30,770,325

(a) Sundry debtors include amounts to be reimbursed by the insurance companies, for damages incurred from the Beirut Port explosion on August 4, 2020 in the amount of LBP2.2billion. Till date, the Bank has still not received the re-imbursement on these amounts due to the fact that the insurance companies are still performing an assessment of the losses and are still awaiting the results of the investigation of the reason of the explosion.

(b) Regulatory blocked deposit represents a non-interest earning compulsory deposit placed with the Lebanese Treasury upon the establishment of a subsidiary that is in the process of liquidation. This deposit will be refunded upon finalizing the liquidation of the subsidiary, according to article 132 of the Lebanese Code of Money and Credit.

18. DEPOSITS FROM BANKS AND FINANCIAL INSTITUTIONS

	December 31,	
	2020	2019
	LBP'000	LBP'000
Current deposits	1,997,045	22,434,983
Current deposits - subsidiaries	87,935,255	80,751,309
Short term deposits	1,214,487	118,748,003
Short term deposits from parent bank	100,729,196	31,550,000
Cash margins - subsidiaries	25,000	25,000
Accrued interest payable	3,677,941	1,013,311
	195,578,924	254,522,606

19. CUSTOMERS' ACCOUNTS

Customers' accounts at amortized cost are detailed as follows:

	December 31,	
	2020	2019
	LBP'000	LBP'000
Deposits:		
Current/demand deposits	1,188,787,506	703,433,463
Term deposits	3,304,609,567	4,354,087,800
Collateral against loans and advances	85,904,061	142,741,222
Margins and other accounts:		
Margins against import letters of credit	11,479	3,508,190
Margins against letters of guarantee issued	26,222,841	26,011,645
Other margins	1,635,941	14,299,022
Blocked accounts	16,045,450	20,368,789
Accrued interest payable	11,409,056	46,061,828
Total	4,634,625,901	5,310,511,959

Blocked accounts include balances amounting to LBP14.6billion (2019: LBP17.4billion) representing undisbursed loans to customers.

Customers' deposits include related party deposits detailed as follows:

	December 31,	
	2020	2019
	LBP'000	LBP'000
Demand deposits	2,437,110	2,428,979
Term deposits	51,115,627	52,808,799
Collateral against loans and advances	204,643	410,145
Accrued interest payable	769,023	931,810
	54,526,403	56,579,733

Brackets of deposits were as follows:

	December 31, 2020				
	Local currency		Foreign currencies		
	Total deposits	% to total deposits	Total deposits	% to total deposits	Total
	LBP'000	%	LBP'000	%	LBP'000
Less than LBP250million	452,000,725	35%	837,985,534	25%	1,289,986,259
From LBP250million to LBP1.5billion	401,397,295	31%	1,132,706,873	34%	1,534,104,168
Above LBP1.5billion	425,035,720	33%	1,385,499,754	41%	1,810,535,474
	1,278,433,740	100%	3,356,192,161	100%	4,634,625,901

	December 31, 2019				
	Local currency		Foreign currencies		
	Total deposits	% to total deposits	Total deposits	% to total deposits	Total
	LBP'000	%	LBP'000	%	LBP'000
Less than LBP250million	609,347,901	35%	687,594,385	19%	1,296,942,286
From LBP250million to LBP1.5billion	609,070,250	34%	1,138,719,789	32%	1,747,790,039
Above LBP1.5billion	553,428,787	31%	1,712,350,847	49%	2,265,779,634
	1,771,846,938	100%	3,538,665,021	100%	5,310,511,959

Deposits from customers include coded deposit accounts in the aggregate amount of LBP64billion as at December 31, 2020 (2019: LBP63billion). These accounts are subject to the provisions of Article 3 of the Banking Secrecy Law dated September 3, 1956 which stipulates that the Bank's management, in the normal course of business, cannot reveal the identities of these depositors to third parties, including its independent public accountants.

Deposits from customers include fiduciary deposits received from resident and non-resident banks totaling LBP16billion and LBP Nil respectively as at December 31, 2020 (2019: LBP19billion and LBP11billion respectively).

20. OTHER BORROWINGS

	December 31, 2020 LBP'000	December 31, 2019 LBP'000
Soft loans from Central Bank of Lebanon (a)	7,116,443	-
Borrowings from Central Bank of Lebanon (b)	297,622,392	347,425,980
Other borrowings	-	397,485
	304,738,835	347,823,465
Accrued interest payable	-	2,638
	304,738,835	347,826,103

(a) Outstanding facilities in Lebanese Pounds granted from the Central Bank of Lebanon in the amount of LBP7.1billion (LBP Nil as at December 31, 2019) are in accordance with Central Bank of Lebanon Basic Decision No. 6116 of March 7, 1996 and its amendments by which the Bank benefited from credit facilities granted against loans the Bank has granted, on its own responsibility, to its customers, pursuant to certain conditions, rules and mechanism. These facilities bear interest rate of 0% computed annually and paid monthly.

(b) Outstanding facilities in Lebanese Pounds granted from the Central Bank of Lebanon in the amount of LBP298 billion (2019: LBP347billion) are in accordance with Central Bank of Lebanon Basic Decision No. 6116 of March 7, 1996 and its amendments by which the Bank benefited from credit facilities granted against loans the Bank has granted, on its own responsibility, to its customers, pursuant to certain conditions, rules and mechanism. These facilities bear interest rate of 1% computed annually and paid monthly. Part of these facilities are collateralized by Lebanese treasury bills and certificates of deposit issued by Central Bank of Lebanon.

The remaining contractual maturities of above borrowings are as follows:

	2020 LBP'000	2019 LBP'000
Up to 1 year	-	400,123
Over 5 years	304,738,835	347,425,980
	304,738,835	347,826,103

The movement of borrowings was as follows:

	2020 LBP'000	2019 LBP'000
Balance January 1	347,823,465	404,265,022
Additions	7,116,443	-
Settlements	(50,201,073)	(56,441,557)
Balance December 31	304,738,835	347,823,465

21. OTHER LIABILITIES

	December 31, 2020 LBP'000	December 31, 2019 LBP'000
Accounts payable	26,622,882	23,801,326
Accrued expenses	16,353,577	15,961,264
Provision for tax – Article 20 of Law No. 6/2020	11,500,000	-
Current tax liability (a)	10,571,895	5,371,895
Withheld taxes payable	3,746,592	5,530,493
Deferred tax liability on accrued interest receivable	5,700,232	4,239,981
Deferred tax liability on other comprehensive income	230,187	1,133,114
Other deferred tax liabilities	1,639,606	1,639,606
Payable to personnel and directors	4,940,320	5,245,926
Checks and incoming payment orders in course of settlement	1,868,234	3,762,827
Deferred income	947,417	1,225,337
Due to the National Social Security Fund	641,278	721,506
Blocked capital subscriptions for companies under incorporation	409,764	91,416
Financial guarantees	-	140,681
	85,171,984	68,865,372

(a) Below is the reconciliation of income tax expense:

	2020 LBP'000	2019 LBP'000
Loss before tax	(21,574,692)	(40,820,553)
Income tax on enacted applicable rates	7,415,506	(6,816,070)
Effect of non-deductible expense and non-taxable income	(1,015,506)	9,916,070
Income tax expense	6,400,000	3,100,000
Transfer between taxes	(1,200,000)	-
Unpaid prior year income tax	5,371,895	-
Other additional provisions/adjustments	-	2,271,895
Current tax liability	10,571,895	5,371,895

The movement of current tax liability was as follows:

	2020 LBP'000	2019 LBP'000
Balance January 1,	5,371,895	6,793,591
Charge for the year	6,400,000	3,100,000
Transfer from deferred tax assets	(1,200,000)	-
Less taxes paid:		
Prior year tax liabilities	-	(4,521,696)
Balance December 31	10,571,895	5,371,895

22. PROVISIONS

	December 31, 2020 LBP'000	December 31, 2019 LBP'000
Provision for staff end-of-service indemnity (a)	3,262,874	6,825,724
Provision for risk and charges (b)	8,082,440	11,867,416
Provision for expected credit losses on commitments and financial guarantees	363,600	364,844
Provision for loss on foreign currency position	282,351	1,123,762
	11,991,265	20,181,746

(a) The movement of the provision for staff end-of-service indemnity was as follows:

	2020 LBP'000	2019 LBP'000
Balance January 1	6,825,724	7,440,023
Write-back/additions - net (Note 36)	(2,473,389)	577,773
Settlements	(1,089,461)	(1,192,072)
Balance December 31	3,262,874	6,825,724

(b) The movement of the provision for risk and charges was as follows:

	2020 LBP'000	2019 LBP'000
Balance January 1	11,867,416	11,592,310
Write-back/additions	(3,315,000)	150,000
Adjustment on assets held for sale	-	1,180,823
Settlements	(585,000)	(1,055,717)
Difference of exchange	115,024	-
Balance December 31	8,082,440	11,867,416

23. SHARE CAPITAL

As at December 31, 2020 and 2019, the Bank's ordinary share capital consists of 214,000,000 shares of a par value of LBP1,000 each fully paid.

The meet the requirements of Central Bank of Lebanon towards increasing common equity Tier I as at December 31, 2018 by 20% in foreign currencies by December 31, 2020 but was later extended to February 28, 2021. the Bank's Extraordinary General Assembly of shareholders held on January 30, 2020 called additional cash contribution from shareholders in the amount of USD93.86million. Up to December 31, 2020, the Bank's shareholders settled USD45.96million (LBP69.29billion) in the form of cash contribution with the remaining balance of USD47.9million (LBP72.2billion), paid subsequently by the shareholders.

24. PREFERRED SHARES

	Year of issue	Number of shares	Annual return	December 31, 2020	December 31, 2019
	Year		%	LBP'000	LBP'000
Series "D"	2016	750,000	6.75	113,062,501	113,062,501
Series "E"	2018	263,510	7.00	39,724,132	39,724,132
				152,786,633	152,786,633

The above are Tier I non-cumulative preferred shares with an issue price of USD 100 per share and a nominal value of LBP1,000 each.

The preferred shares may be redeemed during the 60 days period following the annual general meeting held to approve the Bank's financial statements after 5 years for issue date and each subsequent year thereafter.

In the event of liquidation of the Bank, holders of preferred shares series "D" and "E" rank senior to the holders of common shares.

25. TREASURY SHARES

	No. of shares	Cost
		LBP'000
Balance January 1, 2019	-	-
Purchase of treasury shares	21,365,000	75,787,285
Balance December 31, 2019	21,365,000	75,787,285
Effect of exchange rates changes	-	1,068,080
Balance December 31, 2020	21,365,000	76,855,365

26. NON-DISTRIBUTABLE RESERVES

	Legal reserve	Reserve for General Banking Risks	Special Reserve for Loans and Advances	Reserve for Assets Acquired in Satisfaction of Loans	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Balance - January 1, 2019	20,157,098	150,307,315	4,803,478	62,192,827	237,460,718
Issuance of common shares	-	(350,000)	-	-	(350,000)
Appropriation of 2018 profit	6,115,988	13,056,012	2,500,000	3,594,156	25,266,156
Reallocation of reserves	-	805,796	-	(805,796)	-
Balance - December 31, 2019	26,273,086	163,819,123	7,303,478	64,981,187	262,376,874
Reallocation of reserves	-	9,374,868	-	(9,374,868)	-
Balance - December 31, 2020	26,273,086	173,193,991	7,303,478	55,606,319	262,376,874

(a) The legal reserve is constituted in conformity with the requirements of the Lebanese Commercial Law and the Bank's articles of incorporation on the basis of 10% of the yearly net profits. Subsidiaries are also subject to legal reserve requirements. This reserve is not available for dividend distribution.

(b) Based on Central Bank of Lebanon Circular 73 and Banking Control Commission memo 12/2010 relating to reserve allocation for doubtful debts, the Bank has allocated an amount of LBP7.3billion (2019: LBP7.3billion) to special reserve for the uncovered portion of its doubtful debts outstanding as at June 30, 2003 and not yet resolved. This reserve is not available for distribution.

(c) The reserve for assets acquired in satisfaction of loans 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 loans shall be transferred to unrestricted reserves upon the disposal of the related assets.

27. DIVIDENDS PAID

The Bank distributed Nil dividends during 2020 (2019: LBP 10.3billion) to preferred shares owners.

28. INTEREST INCOME

	2020		
	Interest Income	Withheld Tax	Total
	LBP'000	LBP'000	LBP'000
Interest income from:			
Loans and advances to customers	118,083,427	-	118,083,427
Deposits with Central Bank of Lebanon	121,649,330	(13,425,506)	108,223,824
Investment securities (excluding FVTPL)	110,891,898	(12,300,352)	98,591,546
Deposits with banks and financial institutions	63,827	-	63,827
Deposits with a related bank	85,020	-	85,020
Loan to a bank	40,460	(4,745)	35,715
Loans and advances to related parties	206,640	-	206,640
	351,020,602	(25,730,603)	325,289,999

	2019		
	Interest Income	Withheld Tax	Total
	LBP'000	LBP'000	LBP'000
Interest income from:			
Loans and advances to customers	188,328,299	-	188,328,299
Deposits with Central Bank of Lebanon	127,014,781	(12,759,231)	114,255,550
Investment securities (excluding FVTPL)	190,066,874	(9,826,800)	180,240,074
Deposits with banks and financial institutions	593,323	-	593,323
Deposits with a related bank	105,022	-	105,022
Loan to a bank	61,093	-	61,093
Loans and advances to related parties	267,101	-	267,101
	506,436,493	(22,586,031)	483,850,462

	2020	2019
	LBP'000	LBP'000
Interest income from investment securities:		
Lebanese government bonds	1,544,831	65,207,674
Lebanese treasury bills	22,735,718	29,349,982
Certificates of deposit issued by Central Bank of Lebanon	86,053,983	93,300,869
Corporate bonds and asset backed securities	557,366	2,208,349
	110,891,898	190,066,874

Interest income on financial assets at fair value through profit or loss is included under "Net interest and other gain/(loss) on investment securities at fair value through profit or loss" (Note 34).

29. INTEREST EXPENSE

	2020	2019
	LBP'000	LBP'000
Interest expense on:		
Customers' accounts	162,074,760	378,406,771
Deposits and borrowings from banks	15,084,572	10,174,458
Deposits from Parent Bank and subsidiaries	5,587,746	6,055,761
Revolving loan and facilities from Central Bank of Lebanon	3,927,697	3,722,044
Customers' accounts - related parties	4,010,020	3,877,433
Lease liabilities (Note 14)	1,092,974	1,844,185
Other borrowings	3,530	117,188
	191,781,299	404,197,840

30. FEE AND COMMISSION INCOME

	2020	2019
	LBP'000	LBP'000
Fee income on customers' transactions	23,614,130	11,517,611
Fee income on loans and advances	7,461,828	9,108,524
Commission earned on insurance policies	1,708,931	2,623,439
Fee income on letters of guarantee	2,420,904	1,731,196
Fee income on documentary credits	638,491	1,111,819
Fee income on transactions with banks	59,284	94,554
Commission on capital market customers' transactions (Note 38)	167,496	504,626
Other	792,643	699,027
	36,863,707	27,390,796

31. FEE AND COMMISSION EXPENSE

	2020	2019
	LBP'000	LBP'000
Brokerage fees	591,284	96,502
Commission on transactions with banks and financial institutions	646,215	710,656
Other	781,940	1,250,360
	2,019,439	2,057,518

32. LOSSES ARISING FROM THE DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	2020 LBP'000	2019 LBP'000
Lebanese government bonds (a)	13,169,545	-
Certificates of deposit issued by Central Bank of Lebanon (a)	9,630,833	-
Term placements with Central Bank of Lebanon	13,774,353	-
	36,574,731	-

(a) During 2020, the Bank sold certificates of deposits issued by the Central Bank of Lebanon and Lebanese government bonds with a nominal value of LBP97billion and LBP65.6billion respectively, classified at amortized cost, which resulted in losses of LBP9.6billion and LBP13.2billion respectively.

33. LOSSES ARISING FROM THE DERECOGNITION OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 LBP'000	2019 LBP'000
Lebanese government bonds	108,793	-
	108,793	-

During 2020, the Bank sold Lebanese government bonds with a nominal value of LBP1.2billion, classified at fair value through other comprehensive income, which resulted in losses of LBP108.8million.

34. NET INTEREST AND OTHER GAIN / (LOSS) ON INVESTMENT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 LBP'000	2019 LBP'000
Interest income (net of withheld tax)	13,366	591,614
Dividends received	86,504	429,627
Net unrealized gain (loss)	3,153,122	(222,343)
Net realized gain/(loss)	(221,275)	17,228
	3,031,717	816,126

35. OTHER OPERATING (EXPENSE) / INCOME

	2020 LBP'000	2019 LBP'000
Dividend income from investments at fair value through other comprehensive income	11,238	1,683,956
Multiplier factor costs (a)	(10,491,923)	-
Foreign exchange gain	1,565,513	531,429
Write-back of provision for devaluation in investment in a subsidiary (Note 12)	-	5,252,146
Miscellaneous income	1,090,579	1,036,557
	(7,824,593)	8,504,088

(a) Multiplier factor costs represent amounts paid to depositors of fresh funds benefitting from the multiplier factor.

36. STAFF COSTS

	2020 LBP'000	2019 LBP'000
Salaries	40,848,504	45,211,471
Directors' remunerations	1,086,679	1,920,291
Social security contributions	5,575,077	6,581,967
Provision for end-of-service indemnities (Note 22)	(2,473,389)	577,773
Redundancy costs	13,849,417	1,276,811
Other staff benefits and costs	7,591,899	9,636,101
	66,478,187	65,204,414

37. GENERAL AND ADMINISTRATIVE EXPENSES

	2020 LBP'000	2019 LBP'000
Fees and taxes	1,333,563	1,310,660
Maintenance and repairs	7,417,560	6,641,930
Money transport	2,800,931	1,314,275
Legal and professional fees	2,539,023	3,016,942
Subscriptions	1,925,916	1,888,151
Credit card expenses	1,341,798	1,456,463
Electricity and water	996,303	907,961
Insurance	789,016	704,457
Heat, light and power	784,659	734,247
Rent and building services	709,050	672,775
Telephone and postage	765,980	1,193,384
Cleaning	696,894	801,099
Security	468,088	491,983
Advertising and publicity	358,276	2,691,395
Public relations and entertainment	331,357	624,291
Printing and stationery	323,765	513,307
Donations	153,063	1,030
Travel	65,212	281,892
Software implementation fees	62,800	61,900
Miscellaneous expenses	1,309,054	1,483,724
	25,172,308	26,791,866

Legal and professional fees include an amount of LBP65million and 226million representing various services provided by the parent bank during 2020 and 2019 respectively.

38. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS

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

Forward exchange contracts outstanding as of December 31, 2020 and 2019 represent positions held for customers' accounts. The Bank entered into such instruments to serve the needs of customers, and these contracts are fully hedged by the Bank.

39. FIDUCIARY ACCOUNTS

Fiduciary deposits include deposits invested in back-to-back lending and are related to resident lenders and borrowers in addition to fiduciary deposits held or invested on behalf of the Bank's customers on a non-discretionary basis. The risks and rewards of the related operations belong to the account holders.

40. CASH AND CASH EQUIVALENTS

	December 31,	
	2020	2019
	LBP'000	LBP'000
Cash on hand	38,491,940	17,650,581
Deposits with Central Bank (excluding compulsory deposits)	538,377,809	119,955,645
Term placements with Central Bank (with original maturity of less than 3 months)	175,182,500	82,158,751
Purchased checks	-	10,434
Current accounts with correspondents	23,228,066	37,354,469
Current accounts with related banks and financial institutions	4,981,288	952,223
Current accounts with the parent bank	4,956,943	2,115,671
Term placements with correspondents (with original maturity of less than 3 months)	67,686,750	-
	852,905,296	260,197,774

Major non-cash transactions excluded from the statement of cash flows for the years ended December 31, 2020 and 2019 are summarized as follows:

a. Adjustment of right-of-use assets in the amount of LBP25billion against other assets in the amount of LBP2billion and lease liability in the amount of LBP23billion upon the initial application of IFRS 16 in 2019.

b. Negative change in fair value of investments as at fair value through other comprehensive income of LBP12billion and related deferred tax liability of LBP1billion (Negative change in fair value of LBP195million and related deferred tax liability of LBP89million during 2019).

c. Assets and investment properties acquired in satisfaction of loans in the amount of LBP Nil (LBP1.05billion in 2019).

d. Transfer of LBP1.3billion from property and equipment to intangible assets (LBP141million in 2019).

41. COLLATERAL GIVEN

The carrying values of financial assets given as collateral are as follows:

	December 31,				
	2020				2019
		Corresponding Facilities			
	Amount of Pledged Assets	Maturity Date	Amount of Facility	Nature of Facility	Amount of Pledged Assets
	LBP'000		LBP'000	LBP'000	LBP'000
Certificates of deposit issued by the Central bank of Lebanon	7,943,789	June 9, 2029	9,064,299	Facilities from Central Bank of Lebanon	7,943,789
Lebanese treasury bills	15,219,300	Revolving	311,540,932	Facilities from Central Bank of Lebanon	15,219,300

42. RISK MANAGEMENT

The Bank is exposed to various types of risks, some of which are:

- Credit risk: the risk of default or deterioration in the ability of a borrower to repay a loan.
- Liquidity risk: the risk that the Bank cannot meet its financial obligations when they come due in a timely manner and at reasonable cost.
- 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.

The Board of Directors (the Board) is ultimately responsible for setting the level of acceptable risks to which the Bank is exposed, and as such, approves the risk appetite and policies of the Bank. The Board monitors the risk profile in comparison to the risk appetite on a regular basis and follow-up on existing and emerging risks. A number of Management committees and departments are also responsible for various levels of risk management.

A. Credit Risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Bank. The Bank's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers and other banks (including related commitments to lend such as loan or credit card facilities) and investments in Government debt securities, certificates of deposit issued by the Central Bank of Lebanon and term deposits with the Central Bank of Lebanon. The Bank considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

Credit risk management

The Bank's Risk Management committee is responsible for managing the Bank's credit risk by:

- Overseeing the risk management function as a whole.
- Ensuring that adequate policies and procedures governing the work of the risk management function exist at all levels, are up to date at all times, and ensure the proper and timely identification of risks that may put the capital of the bank at risk.
- Ensuring full compliance with laws and regulations related to risk management.
- Following up on corrective measures proposed by the risk management function and approved by the risk management committee.
- Overseeing the work of sub-committees especially when it comes to policies and procedures.
- Relaying to the board of directors its assessment on the adequacy of the risk management framework as a whole.
- Reviewing the risk reports making sure to relay to the board of directors in due time identified risks that may require a prompt attention/action.
- Validating all Risk related Policies, Business Continuity Policies, the Internal Capital Adequacy.
- Assessing the Recovery Plan Framework and the Impairment Framework before submission to the BOD for approval.
- Ensuring that the Bank risk appetite and limits are properly understood and duly approved by BOD
- Reviewing and following up the audit findings related to the risk management function
- Ensuring that the Bank has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Developing and maintaining the Bank's risk grading to categories exposures according to the degree of risk of default. Risk grades are subject to regular reviews.
- Establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

Significant increase in credit risk

As explained in note 3 the Bank monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

In order to minimize credit risk, the Bank has tasked its risk management committee to develop and maintain the Bank's credit risk grading to categorize exposures according to their degree of risk of default. The Bank's credit risk grading framework comprises ten categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored, and the credit risk grade is updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure.
The following data are typically used to monitor the Bank's exposures:

- Payment record, including payment ratios and ageing analysis
- Extent of utilization of granted limit
- Forbearances (both requested and granted)
- Changes in business, financial and economic conditions
- Credit rating information supplied by external rating agencies.

For retail exposures: internally generated data of customer behavior, affordability metrics etc.; and for corporate exposures: information obtained by periodic review of customer files including audited financial statements review, market data such as prices of credit default swaps (CDS) or quoted bonds where available, changes in the financial sector the customer operates etc.

The Bank uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Bank collects performance and default information about its credit risk exposures analyzed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The table below provides a mapping of the Bank's internal credit risk grades to external ratings.

Central Bank of Lebanon Risk Rating	**Central Bank of Lebanon Description**	**Moody's Grading**	**Moody's Description**
1	Normal	1 – 4	Excellent – Satisfactory
2	Follow up	5 – 6	Adequate – Marginal
3	Follow up and regularization	7	Vulnerable
4	Substandard	8	Substandard
5	Doubtful	9	Doubtful
6	Loss	10	Loss

The Bank analyses all data collected using statistical models and estimates the remaining lifetime PD of exposures and how these are expected to change over time. The factors taken into account in this process include macro-economic, mainly Real GDP growth. The Bank generates a 'base case' scenario of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Bank then uses these forecasts, which are probability-weighted, to adjust its estimates of PDs.

The Bank presumes for retail loans that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Bank has reasonable and supportable information that demonstrates otherwise.

Incorporation of forward-looking information

The ECL model contains a three-stage approach which is based on the change in credit quality of financial assets since initial recognition. The ECL model is forward-looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL.

Measurement of ECL

The key inputs used for measuring ECL are:
- probability of default (PD);
- loss given default (LGD); and
- Exposure at default (EAD).

Commercial and retail lending

As explained above these figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realization of collateral, cross-collateralization and seniority of claim, cost of realization of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan.

EAD 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, and expected drawdowns on committed facilities. The Bank's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortization profiles, early repayment or overpayment, changes in utilization of undrawn commitments and credit mitigation actions taken before default. The Bank uses EAD models that reflect the characteristics of the portfolios.

The Bank measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contract extension or renewal is common business practice. However, for exposures such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. For such exposures the Bank measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These exposures do not have a fixed term or repayment structure and have a short contractual cancellation period.

However, the Bank does not enforce in the normal day-to-day management the contractual right to cancel these exposures. This is because these exposures are managed on a collective basis and are canceled only when the Bank becomes aware of an increase in credit risk at the facility level.

This longer period is estimated taking into account the credit risk management actions that the Bank expects to take to mitigate ECL, e.g. reduction in limits or cancellation of the loan commitment.

Groupings based on shared risks characteristics

When ECL are measured on a collective basis, the financial instruments are grouped on the basis of product type.

The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

Credit Risk monitoring and review

Since the last quarter of 2019, the severe and unprecedented economic situation in Lebanon exerted significant pressure on the asset quality of the domestic loan portfolio. As a result, credit quality of the Lebanese loan portfolio has declined driven by a weakening in the borrowers' creditworthiness across various segment types.

The above deterioration in the credit quality of the loans' portfolio in Lebanon was intensified in the subsequent period as a result of the massive and devastating explosion that occurred on August 4, 2020 and which resulted in the destruction of thousands of residential units and businesses in downtown Beirut as well as the eastern side of the capital leaving thousands of citizens homeless and/or jobless.

1. *Maximum exposure to credit risk*

The following corresponds to the maximum credit risk exposure net of the expected credit loss allowances:

	December 31, 2020		
	Gross Carrying Amount (Including Accrued Interest)	Expected Credit Losses	Net Carrying Amount
	LBP'000	LBP'000	LBP'000
Deposits with Central Bank of Lebanon (Note 5)	2,202,470,935	(3,402,320)	2,199,068,615
Deposits with banks and financial institutions (Note 6)	101,667,789	(1,441,411)	100,226,378
Loan to a bank (Note 7)	1,411,305	(26,674)	1,384,631
Loans and advances to customers (Note 8)	1,540,058,075	(167,057,764)	1,373,000,311
Investment securities at amortized cost (Note 9)	2,010,316,723	(93,922,748)	1,916,393,975
Investment securities at fair value through other comprehensive income (Note 9)	52,163,963	(757,306)	51,406,657
Other assets	16,253,408	-	16,253,408
Customers' liability under acceptances	149,084	-	149,084
	5,924,491,282	(266,608,223)	5,657,883,059
Financial Guarantees and other commitments	87,387,866	(363,600)	87,024,266

	December 31, 2019		
	Gross Carrying Amount (Including Accrued Interest)	Expected Credit Losses	Net Carrying Amount
	LBP'000	LBP'000	LBP'000
Deposits with Central Bank of Lebanon (Note 5)	1,942,715,601	(1,094,154)	1,941,621,447
Deposits with banks and financial institutions (Note 6)	41,481,815	(123,088)	41,358,727
Loan to a bank (Note 7)	2,118,288	(40,036)	2,078,252
Loans and advances to customers (Note 8)	2,251,320,299	(179,719,312)	2,071,600,987
Investment securities at amortized cost (Note 9)	2,253,582,485	(39,770,249)	2,213,812,236
Investment securities at fair value through other comprehensive income (Note 9)	98,279,431	(783,551)	97,495,880
Other assets	12,343,209	-	12,343,209
Customers' liability under acceptances	28,332,312	(344,264)	27,988,048
	6,630,173,440	(221,874,654)	6,408,298,786
Financial Guarantees and other commitments	113,621,468	(364,844)	113,256,624

2. *Exposures subject to ECL*

	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Gross exposures				
Deposits with Central Bank of Lebanon	2,202,470,935	-	-	2,202,470,935
Deposits with banks and financial institutions	101,667,789	-	-	101,667,789
Loan to a bank	1,411,305	-	-	1,411,305
Loans and advances to customers	930,382,937	343,485,476	266,189,662	1,540,058,075
Financial assets at amortized cost	1,039,016,951	971,299,772	-	2,010,316,723
Financial assets at fair value through other comprehensive income	14,881,025	37,282,938	-	52,163,963
Customers' liability under acceptances	149,084	-	-	149,084
Commitments and financial guarantees	85,992,333	1,032,103	363,430	87,387,866
	4,375,972,359	1,353,100,289	266,553,092	5,995,625,740
Expected credit losses				
Deposits with Central Bank of Lebanon	(3,402,320)	-	-	(3,402,320)
Deposits with banks and financial institutions	(1,441,411)	-	-	(1,441,411)
Loan to a bank	(26,674)	-	-	(26,674)
Loans and advances to customers	(22,696,339)	(22,624,454)	(121,736,971)	(167,057,764)
Financial assets at amortized cost	(186,051)	(93,736,697)	-	(93,922,748)
Financial assets at fair value through other comprehensive income	-	(757,306)	-	(757,306)
Commitments and financial guarantees	(250,685)	(112,915)	-	(363,600)
	(28,003,480)	(117,231,372)	(121,736,971)	(266,971,823)
Net exposures				
Deposits with Central Bank of Lebanon	2,199,068,615	-	-	2,199,068,615
Deposits with banks and financial institutions	100,226,378	-	-	100,226,378
Loan to a bank	1,384,631	-	-	1,384,631
Loans and advances to customers	907,686,598	320,861,022	144,452,691	1,373,000,311
Financial assets at amortized cost	1,038,830,900	877,563,075	-	1,916,393,975
Financial assets at fair value through other comprehensive income	14,881,025	36,525,632	-	51,406,657
Customers' liability under acceptances	149,084	-	-	149,084
Commitments and financial guarantees	85,741,648	919,188	363,430	87,024,266
	4,347,968,879	1,235,868,917	144,816,121	5,728,653,917

	December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Gross exposures				
Deposits with Central Bank of Lebanon	1,942,715,601	-	-	1,942,715,601
Deposits with banks and financial institutions	41,481,815	-	-	41,481,815
Loan to a bank	2,118,288	-	-	2,118,288
Loans and advances to customers	1,663,805,432	339,286,992	248,227,875	2,251,320,299
Financial assets at amortized cost	2,253,582,485	-	-	2,253,582,485
Financial assets at fair value through other comprehensive income	98,279,431	-	-	98,279,431
Customers' liability under acceptances	25,555,566	2,776,746	-	28,332,312
Commitments and financial guarantees	112,596,241	1,025,227	-	113,621,468
	6,140,134,859	343,088,965	248,227,875	6,731,451,699
Expected credit losses				
Deposits with Central Bank of Lebanon	(1,094,154)	-	-	(1,094,154)
Deposits with banks and financial institutions	(123,088)	-	-	(123,088)
Loan to a bank	(40,036)	-	-	(40,036)
Loans and advances to customers	(13,495,930)	(46,931,522)	(119,291,860)	(179,719,312)
Financial assets at amortized cost	(39,770,249)	-	-	(39,770,249)
Financial assets at fair value through other comprehensive income	(783,551)	-	-	(783,551)
Customers' liability under acceptances	(188,182)	(156,082)	-	(344,264)
Commitments and financial guarantees	(263,359)	(101,485)	-	(364,844)
	(55,758,549)	(47,189,089)	(119,291,860)	(222,239,498)
Net exposures				
Deposits with Central Bank of Lebanon	1,941,621,447	-	-	1,941,621,447
Deposits with banks and financial institutions	41,358,727	-	-	41,358,727
Loan to a bank	2,078,252	-	-	2,078,252
Loans and advances to customers	1,650,309,502	292,355,470	128,936,015	2,071,600,987
Financial assets at amortized cost	2,213,812,236	-	-	2,213,812,236
Financial assets at fair value through other comprehensive income	97,495,880	-	-	97,495,880
Customers' liability under acceptances	25,367,384	2,620,664	-	27,988,048
Commitments and financial guarantees	112,332,882	923,742	-	113,256,624
	6,084,376,310	295,899,876	128,936,015	6,509,212,201

3. *Movement of ECL*

	December 31, 2020			
	Stage 1 LBP'000	Stage 2 LBP'000	Stage 3 LBP'000	Total LBP'000
At January 1, 2020				
Deposits with Central Bank of Lebanon	1,094,154	-	-	1,094,154
Deposits with banks and financial institutions	123,088	-	-	123,088
Loan to a bank	40,036	-	-	40,036
Loans and advances to customers	13,495,930	46,931,522	119,291,860	179,719,312
Financial assets at amortized cost	39,770,249	-	-	39,770,249
Financial assets at fair value through other comprehensive income	783,551	-	-	783,551
Customers' liability under acceptances	188,180	156,084	-	344,264
Commitments and financial guarantees	300,161	64,683	-	364,844
	55,795,349	47,152,289	119,291,860	222,239,498
Net charge for year				
Deposits with Central Bank of Lebanon	2,864,587	-	-	2,864,587
Deposits with banks and financial institutions	1,315,237	-	-	1,315,237
Loan to a bank	(13,362)	-	-	(13,362)
Loans and advances to customers	4,354,799	(6,192,514)	(1,694,369)	(3,532,084)
Financial assets at amortized cost	55,789,501	-	-	55,789,501
Financial assets at fair value through other comprehensive income	(26,245)	-	-	(26,245)
Customers' liability under acceptances	(60,828)	-	-	(60,828)
Commitments and financial guarantees	83,953	2,891	-	86,844
	64,307,642	(6,189,623)	(1,694,369)	56,423,650
Transfer to off-balance sheet				
Loans and advances to customers	-	-	(8,264,258)	(8,264,258)
	-	-	(8,264,258)	(8,264,258)
Write-offs				
Loans and advances to customers	(124)	-	(585,373)	(585,497)
	(124)	-	(585,373)	(585,497)
Recoveries and related to financial assets sold				
Deposits with Central Bank of Lebanon	(568,726)	-	-	(568,726)
Deposits with banks and financial institutions	(1,219)	-	-	(1,219)
Loans and advances to customers	(199,002)	(234,428)	(44,768)	(478,198)
Financial assets at amortized cost	(1,637,002)	-	-	(1,637,002)
Customers' liability under acceptances	(131,256)	(156,084)	-	(287,340)
Commitments and financial guarantees	(87,106)	(3,358)	-	(90,464)
	(2,624,311)	(393,870)	(44,768)	(3,062,949)
Net transfers between stages				
Loans and advances to customers	4,925,108	(17,880,126)	12,955,018	-
Financial assets at amortized cost	(93,736,697)	93,736,697	-	-
Financial assets at fair value through other comprehensive income	(757,306)	757,306	-	-
Commitments and financial guarantees	(48,699)	48,699	-	-
	(89,617,594)	76,662,576	12,955,018	-
Effect of exchange rates changes				
Deposits with Central Bank of Lebanon	12,305	-	-	12,305
Deposits with banks and financial institutions	4,305	-	-	4,305
Loans and advances to customers	-	-	198,489	198,489
Commitments and financial guarantees	2,376	-	-	2,376
Customers' liability under acceptances	3,904	-	-	3,904
	22,890	-	198,489	221,379
At December 31, 2020				
Deposits with Central Bank of Lebanon	3,402,320	-	-	3,402,320
Deposits with banks and financial institutions	1,441,411	-	-	1,441,411
Loan to a bank	26,674	-	-	26,674
Loans and advances to customers	22,696,339	22,624,454	121,736,971	167,057,764
Financial assets at amortized cost	186,051	93,736,697	-	93,922,748
Financial assets at fair value through other comprehensive income	-	757,306	-	757,306
Customers' liability under acceptances	-	-	-	-
Commitments and financial guarantees	250,685	112,915	-	363,600
	28,003,480	117,231,372	121,736,971	266,971,823

	December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
	LBP'000	LBP'000	LBP'000	LBP'000
At January 1, 2019				
Deposits with Central Bank of Lebanon	6,893,673	-	-	6,893,673
Deposits with banks and financial institutions	635,023	-	-	635,023
Loan to a bank	65,409	-	-	65,409
Loans and advances to customers	6,384,035	12,287,004	124,872,963	143,544,002
Financial assets at amortized cost	20,061,518	-	-	20,061,518
Financial assets at fair value through other comprehensive income	1,123,916	-	-	1,123,916
Customers' liability under acceptances	181,201	205,559	-	386,760
Commitments and financial guarantees	393,282	20,459	-	413,741
	35,738,057	12,513,022	124,872,963	173,124,042
Net charge for year				
Deposits with Central Bank of Lebanon	(2,698,330)	-	-	(2,698,330)
Deposits with banks and financial institutions	(9,029)	-	-	(9,029)
Loan to a bank	(25,373)	-	-	(25,373)
Loans and advances to customers	30,503,557	21,307,729	(10,344,320)	41,466,966
Financial assets at amortized cost	22,030,481	-	-	22,030,481
Financial assets at fair value through other comprehensive income	(340,365)	-	-	(340,365)
Customers' liability under acceptances	17,861	(4,433)	-	13,428
Commitments and financial guarantees	47,705	(2,254)	-	45,451
	49,526,507	21,301,042	(10,344,320)	60,483,229
Transfer to off-balance sheet				
Loans and advances to customers	-	-	(3,026,048)	(3,026,048)
	-	-	(3,026,048)	(3,026,048)
Write-offs				
Loans and advances to customers	(50,643)	(3,485)	(1,799,773)	(1,853,901)
	(50,643)	(3,485)	(1,799,773)	(1,853,901)
Recoveries and related to financial assets sold				
Deposits with Central Bank of Lebanon	(3,100,492)	-	-	(3,100,492)
Deposits with banks and financial institutions	(415,561)	-	-	(415,561)
Loans and advances to customers	(73,129)	(245,905)	(75,114)	(394,148)
Financial assets at amortized cost	(2,321,750)	-	-	(2,321,750)
Customers' liability under acceptances	(7,722)	(45,042)	-	(52,764)
Commitments and financial guarantees	(71,211)	(22,593)	-	(93,804)
	(5,989,865)	(313,540)	(75,114)	(6,378,519)
Net transfers between stages				
Loans and advances to customers	(23,267,890)	13,586,179	9,681,711	-
Commitments and financial guarantees	(69,071)	69,071	-	-
	(23,336,961)	13,655,250	9,681,711	-
Effect of exchange rates changes				
Deposits with Central Bank of Lebanon	(697)	-	-	(697)
Deposits with banks and financial institutions	(87,345)	-	-	(87,345)
Loans and advances to customers	-	-	(17,559)	(17,559)
Customers' liability under acceptances	(3,160)	-	-	(3,160)
Commitments and financial guarantees	(544)	-	-	(544)
	(91,746)	-	(17,559)	(109,305)
At December 31, 2019				
Deposits with Central Bank of Lebanon	1,094,154	-	-	1,094,154
Deposits with banks and financial institutions	123,088	-	-	123,088
Loan to a bank	40,036	-	-	40,036
Loans and advances to customers	13,495,930	46,931,522	119,291,860	179,719,312
Financial assets at amortized cost	39,770,249	-	-	39,770,249
Financial assets at fair value through other comprehensive income	783,551	-	-	783,551
Customers' liability under acceptances	188,180	156,084	-	344,264
Commitments and financial guarantees	300,161	64,683	-	364,844
	55,795,349	47,152,289	119,291,860	222,239,498

Allocation of carrying amount of loans and advances to customers by economic sector:

	December 31, 2020 LBP'000	December 31, 2019 LBP'000
Corporate:		
Agriculture	32,657,159	45,571,117
Commerce	295,105,083	432,058,861
Construction and real estate	315,959,642	456,153,968
Individual	24,641,444	76,849,091
Industrial	76,982,890	129,931,628
Public Sector	6,040,162	8,560,925
Services	52,828,886	128,717,120
	804,215,266	1,277,842,710
Retail loans	716,971,054	949,895,723
Accrued interest receivable	18,871,755	23,581,866
	1,540,058,075	2,251,320,299

Netting arrangements:

The Bank sometimes further restricts its exposure to credit losses by entering into netting arrangements with counterparties. Netting arrangements reduce credit risk associated with favorable contracts to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis.

The Bank makes use of master netting agreements and other arrangements not eligible for netting under IAS 32 Financial Instruments: Presentation with its counterparties. Such arrangements provide for single net settlement of all financial instruments covered by the agreements in the event of default on any one contract. Although, these master 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 Bank's exposure to credit risk, as shown in the tables on the following pages. Although master netting arrangements may significantly reduce credit risk, it should be noted that the credit risk is eliminated only to the extent of amounts due to the same counterparty.

4. *Risk Mitigation Policies*

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

- Pledged deposits
- Mortgages over real estate properties (land, commercial and residential properties)
- Bank guarantees

Collateral generally is not held over loans and advances to banks, except when securities are held as part of a reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities.

5. *Financial assets with credit risk exposure and related concentrations*

(a) *Exposure to credit risk and concentration by counterparty:*

The tables below reflect the Bank's exposure to credit risk by counterparty segregated between the categories of deposits with banks and financial institutions and loans and advances:

(a.1) Distribution of deposits with banks and financial institutions by brackets (gross exposures):

	December 31, 2020		
	Total Balance	% to Total	Number of Counterparties
	LBP'000	%	
Less than LBP5billion	12,083,640	12	27
From LBP5billion to LBP15billion	16,940,456	17	2
Over LBP30Billion	72,643,693	71	1
	101,667,789	100	30

	December 31, 2019		
	Total Balance	% to Total	Number of Counterparties
	LBP'000	%	
Less than LBP5billion	27,162,232	65	34
From LBP5billion to LBP15billion	14,330,017	35	1
	41,492,249	100	35

(a.2) Loans and advances to customers are allocated as follows by brackets (gross exposures):

	December 31, 2020		
	Carrying Amount	% of Total Amount	Number of Counterparties
	LBP'000	%	
Less than LBP500million	792,144,632	52	39,137
From LBP500million to LBP5billion	343,842,854	23	271
From LBP5billion to LBP15billion	131,490,857	9	18
Above LBP15billion	253,707,977	16	9
	1,521,186,320	100	39,435
Accrued interest receivable	18,871,755		
	1,540,058,075		

	December 31, 2019		
	Carrying Amount	% of Total Amount	Number of Counterparties
	LBP'000	%	
Less than LBP500million	1,062,054,445	48	47,625
From LBP500million to LBP5billion	551,466,954	25	429
From LBP5billion to LBP15billion	283,408,679	12	36
Above LBP15billion	330,808,355	15	11
	2,227,738,433	100	48,101
Accrued interest receivable	23,581,866		
	2,251,320,299		

(a.3) *Details of the Bank's exposure to credit risk with respect to loans and advances to customers:*

	December 31, 2020			Carrying Values of Collaterals Received							
	Carrying Amount LBP'000	Expected Credit Losses LBP'000	Net Amount LBP'000	Pledged Funds LBP'000	Bank Guarantees LBP'000	First & Second Degree Mortgage on Properties LBP'000	Equity Securities LBP'000	Debt Securities LBP'000	Others LBP'000	Total Guarantees LBP'000	Lesser of Individual Exposure or Total Guarantees LBP'000
Performing – Stages 1 and 2	1,273,868,413	(45,320,793)	1,228,547,620	98,360,399	27,397,293	1,524,210,451	339,188	150,750	188,223,742	1,838,681,823	933,265,205
Substandard – Stage 3	73,335,953	(18,918,944)	54,417,009	122,171	873,329	81,764,549	-	-	6,317,113	89,077,162	61,955,103
Doubtful – Stage 3	154,089,563	(64,071,026)	90,018,537	95,682	2,046,637	152,193,452	-	-	8,601,223	162,936,994	124,253,864
Loss – Stage 3	38,764,146	(38,747,001)	17,145	53,727	1,038,402	1,370,439	-	-	17,689,209	20,151,777	12,346,431
	1,540,058,075	(167,057,764)	1,373,000,311	98,631,979	31,355,661	1,759,538,891	339,188	150,750	220,831,287	2,110,847,756	1,131,820,603

	December 31, 2019			Carrying Values of Collaterals Received							
	Carrying Amount LBP'000	Expected Credit Losses LBP'000	Net Amount LBP'000	Pledged Funds LBP'000	Bank Guarantees LBP'000	First & Second Degree Mortgage on Properties LBP'000	Equity Securities LBP'000	Debt Securities LBP'000	Others LBP'000	Total Guarantees LBP'000	Lesser of Individual Exposure or Total Guarantees LBP'000
Performing – Stages 1 and 2	2,006,906,523	(60,427,452)	1,946,479,071	203,892,197	40,112,111	1,824,042,914	3,137,108	226,125	502,783,298	2,574,193,753	1,334,692,184
Substandard – Stage 3	64,529,220	(13,398,543)	51,130,677	175,265	713,929	77,521,594	-	-	20,680,809	99,091,597	58,067,300
Doubtful – Stage 3	134,031,262	(60,253,197)	73,778,065	98,295	5,036,537	151,546,329	-	-	11,971,261	168,652,422	123,096,493
Loss – Stage 3	45,853,294	(45,640,120)	213,174	63,482	1,089,551	1,460,889	-	-	20,635,653	23,249,575	13,389,343
	2,251,320,299	(179,719,312)	2,071,600,987	204,229,239	46,952,128	2,054,571,726	3,137,108	226,125	556,071,021	2,865,187,347	1,529,245,320

Overdue but not impaired loans as at December 31, 2020 and 2019 are as follows:

	2020 LBP'000	2019 LBP'000
Between 60 and 90 days	32,049,447	82,361,114
Between 90 and 180 days	74,205,167	128,082,935
Between 180 and 360 days	90,737,449	30,990,525
Over 360 days	80,675,721	5,666,167
	277,667,784	247,100,741

(a.4) *Concentration of major financial assets and liabilities by geographical location:*

December 31, 2020	Lebanon LBP'000	Middle East and Africa LBP'000	North America LBP'000	Europe LBP'000	Other LBP'000	Total LBP'000
FINANCIAL ASSETS						
Cash and Central Bank	2,237,560,555	-	-	-	-	2,237,560,555
Deposits with banks and financial institutions	71,935,554	750,048	991,662	26,549,114	-	100,226,378
Loan to a bank	1,384,631	-	-	-	-	1,384,631
Investments at fair value through profit or loss	10,854,238	-	-	-	-	10,854,238
Loans and advances to customers	1,312,329,005	49,064,742	4,350,302	5,630,770	1,625,492	1,373,000,311
Investments at amortized cost	1,916,393,975	-	-	-	-	1,916,393,975
Investments at fair value through other comprehensive income	51,406,657	-	-	-	-	51,406,657
Total	5,601,864,615	49,814,790	5,341,964	32,179,884	1,625,492	5,690,826,745
FINANCIAL LIABILITIES						
Deposits from banks and financial institutions	106,502,582	133	-	75,619,081	-	195,578,924
Customers' accounts	3,892,963,933	492,215,819	73,538,510	132,558,681	43,348,958	4,634,625,901
Other borrowings	304,738,835	-	-	-	-	304,738,835
Lease liability	19,678,708	-	-	-	-	19,678,708
Total	4,323,884,058	492,215,952	73,538,510	208,177,762	43,348,958	5,154,622,368

December 31, 2019	Lebanon LBP'000	Middle East and Africa LBP'000	North America LBP'000	Europe LBP'000	Other LBP'000	Total LBP'000
FINANCIAL ASSETS						
Cash and Central Bank	1,959,272,028	-	-	-	-	1,959,272,028
Deposits with banks and financial institutions	2,591,901	1,663,777	7,330,279	29,783,204		41,369,161
Loan to a bank	2,078,252	-	-	-	-	2,078,252
Investments at fair value through profit or loss	20,497,682	-	-	15,610,037	-	36,107,719
Loans and advances to customers	1,976,556,994	76,226,029	7,204,781	8,486,450	3,126,733	2,071,600,987
Investments at amortized cost	2,213,812,236	-	-	-	-	2,213,812,236
Investments at fair value through other comprehensive income	97,495,880	-	-	-	-	97,495,880
Total	6,272,304,973	77,889,806	14,535,060	53,879,691	3,126,733	6,421,736,263
FINANCIAL LIABILITIES						
Deposits from banks and financial institutions	112,012,965	46,305,237	-	96,204,404	-	254,522,606
Customers' accounts	4,447,377,184	619,755,599	67,575,714	130,128,901	45,674,561	5,310,511,959
Other borrowings	347,425,980	400,123	-	-	-	347,826,103
Lease liability	22,065,854	-	-	-	-	22,065,854
Total	4,928,881,983	666,460,959	67,575,714	226,333,305	45,674,561	5,934,926,522

B. Liquidity Risk

Liquidity risk is the risk that the Bank will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. That being said, Lebanon is facing adverse conditions and high level of uncertainty since October 2019, as a result of deterioration of the economic environment which lead to a severe disruption of normal business operations and a de-facto capital control, leading to incremental credit risks and restricted access to foreign currency among other adverse factors.

1. *Management of liquidity risk*

Liquidity management involves maintaining ample and diverse funding capacity, liquid assets and other sources of cash to accommodate fluctuations in asset and liability levels due to changes in their business operations or unanticipated events. Through Assets and Liabilities Committee, the Board of Directors is responsible for establishing the liquidity policy as well as approving operating and contingency procedures and monitoring liquidity on an ongoing basis. The treasury department is responsible for planning and executing their funding activities and strategy.

Liquidity management and business unit activities are managed consistent with a strategy of funding stability, flexibility and diversity. It includes:

- Day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met
- Maintenance of a portfolio of liquid and marketable assets
- Daily and forecast cash flow management
- Implementation of long-term funding strategies.

The cumulative impact of these various elements is monitored on at least monthly basis by ALCO. Monitoring and reporting take the form of cash flow measurement and projections. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection data of the financial assets.

2. *Exposure to liquidity risk*

Regulatory requirements

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 Bank. In Lebanon and since October 2019 events, the Bank monitors on a daily basis the ratio of available international foreign currency liquidity to international commitments over various time horizons. The Central Bank of Lebanon, through its Basic circular 154 dated 27 August 2020, issued various requirements aiming at restoring the normal banking operations in Lebanon to their pre-October 2019 levels. Among these requirements, Lebanese banks were requested to maintain total current account balance with foreign correspondent banks (international liquidity that is free of any obligation) in excess of 3% of the bank's total foreign currency deposits as at 31 July 2020 by February 28, 2021. On December 24, 2020, the Banking Control Commission of Lebanon issued memo 18/2020 that contains guidance for the calculation of this ratio. The Bank has not yet met this regulatory international liquidity ratio, and communication with the regulator is still ongoing for meeting this ratio.

The table below shows the allocation of major monetary liabilities based on the earliest possible contractual maturity (undiscounted values). The expected maturities vary significantly from the contractual maturities namely with regard to customers' deposits.

Residual contractual maturities of financial liabilities

	December 31, 2020					
	Up to 3 Months	3 Months to 1 Year	1 Year to 3 Years	3 Years to 5 Years	Over 5 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Deposits from banks and financial institutions	104,499,261	91,079,663	-	-	-	195,578,924
Customers' accounts at amortized cost	3,589,700,901	924,854,000	108,765,000	11,306,000	-	4,634,625,901
Lease Liabilities	1,225,241	612,865	4,213,077	4,230,240	9,397,285	19,678,708
Other borrowings	465,943	288,059,892	-	15,430,000	783,000	304,738,835
	3,695,891,346	1,304,606,420	112,978,077	30,966,240	10,180,285	5,154,622,368

	December 31, 2019					
	Up to 3 Months	3 Months to 1 Year	1 Year to 3 Years	3 Years to 5 Years	Over 5 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Deposits from banks and financial institutions	244,472,606	10,050,000	-	-	-	254,522,606
Customers' accounts at amortized cost	4,195,974,078	867,796,858	220,454,402	25,759,005	527,616	5,310,511,959
Lease Liabilities	1,097,045	906,468	4,767,622	4,101,473	11,193,246	22,065,854
Other borrowings	2,638	397,485	-	-	347,425,980	347,826,103
	4,441,546,367	879,150,811	225,222,024	29,860,478	359,146,842	5,934,926,522

C. Market Risk

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

Exposure to foreign exchange risk:

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

	December 31, 2020					
	LBP	USD	Euro	GBP	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS						
Cash and Central Bank	651,440,507	1,459,066,350	125,944,776	1,108,922	-	2,237,560,555
Deposits with banks and Financial institutions	1,663,081	84,392,751	7,739,652	2,409,765	4,021,129	100,226,378
Loan to a bank	1,384,631	-	-	-	-	1,384,631
Investments at fair value through profit or loss	1,370,421	9,483,817	-	-	-	10,854,238
Loans and advances to customers	605,933,493	758,060,902	9,000,315	4,506	1,095	1,373,000,311
Investments at amortized cost	790,905,747	1,125,488,228	-	-	-	1,916,393,975
Investments at fair value through other comprehensive income	13,785,048	37,545,413	76,196	-	-	51,406,657
Customers' liability under acceptances	-	-	149,084	-	-	149,084
Investments in subsidiaries	7,641,310	-	96,777,303	-	-	104,418,613
Assets acquired in satisfaction of loans	11,262,904	58,600,942	-	-	-	69,863,846
Right-of-use assets	1,483,429	17,133,220	-	-	-	18,616,649
Property and equipment	89,825,297	-	-	-	-	89,825,297
Intangible assets	4,643,521	-	-	-	-	4,643,521
Other assets	23,446,115	9,731,596	4,991	13,519	3,389	33,199,610
Total Assets	2,204,785,504	3,559,503,219	239,692,317	3,536,712	4,025,613	6,011,543,365
LIABILITIES						
Deposits from banks and financial institutions	116,906,435	3,235,174	75,437,315	-	-	195,578,924
Customers' accounts	1,278,433,740	3,156,351,295	192,683,476	3,497,010	3,660,380	4,634,625,901
Liability under acceptances	-	-	149,084	-	-	149,084
Other borrowings	288,971,732	15,767,103	-	-	-	304,738,835
Lease liability	1,623,653	18,055,055	-	-	-	19,678,708
Other liabilities	70,099,877	14,799,904	260,812	435	10,956	85,171,984
Provisions	10,124,772	570,646	1,295,847	-	-	11,991,265
Total Liabilities	1,766,160,209	3,208,779,177	269,826,534	3,497,445	3,671,336	5,251,934,701
Currency to be received	-	-	-	-	-	-
Currency to be delivered	-	-	-	-	-	-
	-	-	-	-	-	-
Net assets	438,625,295	350,724,042	(30,134,217)	39,267	354,277	759,608,664

	December 31, 2019					
	LBP	USD	Euro	GBP	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS						
Cash and Central Bank	851,700,744	1,011,909,044	94,930,594	731,646	-	1,959,272,028
Deposits with banks and Financial institutions	446,318	13,190,071	20,016,368	2,337,216	5,379,188	41,369,161
Loan to a bank	2,078,252	-	-	-	-	2,078,252
Investments at fair value through profit or loss	5,180,551	25,405,282	5,521,886	-	-	36,107,719
Loans and advances to customers	741,377,916	1,296,621,101	35,115,221	4,660	(1,517,911)	2,071,600,987
Investments at amortized cost	992,897,494	1,220,914,742	-	-	-	2,213,812,236
Investments at fair value through other comprehensive income	58,483,730	38,942,718	69,432	-	-	97,495,880
Customers' liability under acceptances	-	15,349,432	10,700,471	-	1,938,145	27,988,048
Investments in subsidiaries	7,641,310	-	88,187,005	-	-	95,828,315
Assets acquired in satisfaction of loans	11,985,064	71,990,977	-	-	-	83,976,041
Right-of-use assets	1,726,879	20,615,833	-	-	6,881	22,349,593
Property and equipment	94,881,950	-	-	-	-	94,881,950
Intangible assets	4,575,856	-	-	-	-	4,575,856
Other assets	17,442,029	12,611,290	599,753	19,975	93,881	30,766,928
Total Assets	2,790,418,093	3,727,550,490	255,140,730	3,093,497	5,900,184	6,782,102,994
LIABILITIES						
Deposits from banks	123,919,234	24,687,566	105,915,806	-	-	254,522,606
Customers' accounts	1,771,846,930	3,346,845,218	185,083,516	3,062,938	3,673,357	5,310,511,959
Liability under acceptances	-	15,591,648	10,802,519	-	1,938,145	28,332,312
Other borrowings	317,888,463	29,937,640	-	-	-	347,826,103
Lease liability	1,801,913	20,263,923	-	-	18	22,065,854
Other liabilities	48,058,732	20,421,842	372,931	494	11,373	68,865,372
Provisions	18,354,628	617,501	1,209,617	-	-	20,181,746
Total Liabilities	2,281,869,900	3,458,365,338	303,384,389	3,063,432	5,622,893	6,052,305,952
Currency to be received	-	683,574	-	-	-	683,574
Currency to be delivered	-	-	(590,412)	-	(89,765)	(680,177)
	-	683,574	(590,412)	-	(89,765)	3,397
Net assets	508,548,193	269,868,726	(48,834,071)	30,065	187,526	729,800,439

The Bank 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 and Euros. As disclosed in Note 1, the Bank's assets and liabilities in foreign currencies are valued at the official exchange rate, whereas there is high volatility and significant variance in the multiple unofficial exchange rates in the parallel markets that have emerged since the start of the economic crisis and the de-facto capital control on foreign currency withdrawals and transfers overseas, and therefore, management is unable to determine what would be a reasonable possible movement in order to provide useful quantitative sensitivity analysis. The impact of the valuation of these assets and liabilities at a different rate will be recognized in the financial statements once the official exchange rate is changed by the relevant authorities.

Assets and liabilities in foreign currencies presented in the tables above include onshore assets and liabilities in foreign currencies that are subject to unofficial capital controls in Lebanon, which is further explained in Note 1. These are held by entities operating in Lebanon and will be realized/settled without recourse to foreign currency cash and/ or foreign bank accounts outside Lebanon ("fresh funds"). Hence these cannot be perceived to have an economic value equivalent to that of offshore foreign currency assets and liabilities, and should be viewed and managed separately. The tables below include segregation of onshore and offshore assets and liabilities in foreign currencies:

	December 31, 2020			
	LBP	Onshore Foreign currencies	Offshore foreign currencies	Total
	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS				
Cash and Central Bank	651,440,507	1,574,330,308	11,789,740	2,237,560,555
Deposits with banks and Financial institutions	1,663,081	70,317,753	28,245,544	100,226,378
Loan to a bank	1,384,631	-	-	1,384,631
Investments at fair value through profit or loss	1,370,421	9,483,817	-	10,854,238
Loans and advances to customers	605,933,493	767,066,818	-	1,373,000,311
Investments at amortized cost	790,905,747	1,125,488,228	-	1,916,393,975
Investments at fair value through other comprehensive income	13,785,048	37,621,609	-	51,406,657
Customers' liability under acceptances	-	149,084	-	149,084
Investments in subsidiaries	7,641,310	-	96,777,303	104,418,613
Assets acquired in satisfaction of loans	11,262,904	58,600,942	-	69,863,846
Right-of-use assets	1,483,429	17,133,220	-	18,616,649
Property and equipment	89,825,297	-	-	89,825,297
Intangible assets	4,643,521	-	-	4,643,521
Other assets	23,446,115	9,753,495	-	33,199,610
Total Assets	2,204,785,504	3,669,945,274	136,812,587	6,011,543,365
LIABILITIES				
Deposits from banks and financial institutions	116,906,435	2,824,423	75,848,066	195,578,924
Customers' accounts	1,278,433,740	3,356,192,161	-	4,634,625,901
Liability under acceptances	-	-	149,084	149,084
Other borrowings	288,971,732	15,767,103	-	304,738,835
Lease liability	1,623,653	18,055,055	-	19,678,708
Other liabilities	70,099,877	15,072,107	-	85,171,984
Provisions	10,124,772	1,866,493	-	11,991,265
Total Liabilities	1,766,160,209	3,409,777,342	75,997,150	5,251,934,701
Currency to be received	-	-	-	-
Currency to be delivered	-	-	-	-
	-	-	-	-
Net assets	438,625,295	260,167,932	60,815,437	759,608,664

	December 31, 2019			
	LBP	Onshore Foreign currencies	Offshore foreign currencies	Total
	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS				
Cash and Central Bank	851,700,744	1,104,856,575	2,714,709	1,959,272,028
Deposits with banks and Financial institutions	446,318	2,189,534	38,733,309	41,369,161
Loan to a bank	2,078,252	-	-	2,078,252
Investments at fair value through profit or loss	5,180,551	30,927,168	-	36,107,719
Loans and advances to customers	741,377,916	1,330,223,071	-	2,071,600,987
Investments at amortized cost	992,897,494	1,220,914,742	-	2,213,812,236
Investments at fair value through other comprehensive income	58,483,730	39,012,150	-	97,495,880
Customers' liability under acceptances	-	27,988,048	-	27,988,048
Investments in subsidiaries	7,641,310	-	88,187,005	95,828,315
Assets acquired in satisfaction of loans	11,985,064	71,990,977	-	83,976,041
Right-of-use assets	1,726,879	20,622,714	-	22,349,593
Property and equipment	94,881,950	-	-	94,881,950
Intangible assets	4,575,856	-	-	4,575,856
Other assets	17,442,029	13,324,899	-	30,766,928
Total Assets	2,790,418,093	3,862,049,878	129,635,023	6,782,102,994
LIABILITIES				
Deposits from banks and financial institutions	123,919,234	657,351	129,946,021	254,522,606
Customers' accounts	1,771,846,930	3,538,665,029	-	5,310,511,959
Liability under acceptances	-	420,500	27,911,812	28,332,312
Other borrowings	317,888,463	29,537,517	400,123	347,826,103
Lease liability	1,801,913	20,263,941	-	22,065,854
Other liabilities	48,058,732	19,996,349	810,291	68,865,372
Provisions	18,354,628	1,827,118	-	20,181,746
Total Liabilities	2,281,869,900	3,611,367,805	159,068,247	6,052,305,952
Currency to be received	-	683,574	-	683,574
Currency to be delivered	-	(680,177)	-	(680,177)
	-	3,397	-	3,397
Net assets	508,548,193	250,685,470	(29,433,224)	729,800,439

Interest rate risk

Interest rate risk represents exposures to instruments whose values vary with the level of volatility of interest rates. These instruments include, but are not limited to, loans, debt securities, certain trading-related assets and liabilities, deposits, borrowings and derivative instruments. Interest rate repricing gap is used to estimate the impact on earnings of an adverse movement in interest rates.

Exposure to Interest rate risk

Below is a summary of the Bank's interest rate gap position on major financial assets and liabilities reflected at carrying amounts at year end by repricing time bands:

	Weighted Average Interest Rate	December 31, 2020						
		Not Subject to Interest	Less than 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	%	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
FINANCIAL ASSETS								
Cash and Central Bank	5.23%	1,204,791,555	38,000,000	29,791,000	90,451,000	139,065,000	735,462,000	2,237,560,555
Deposits with banks and financial institutions	0.17%	99,998,378	228,000	-	-	-	-	100,226,378
Loan to a bank	2.59%	10,631	-	1,374,000	-	-	-	1,384,631
Investment securities at fair value through profit or loss	0.14%	10,853,948	-	290	-	-	-	10,854,238
Loans and advances to customers	7.28%	144,452,238	363,925,000	90,653,000	208,943,000	187,470,000	377,557,073	1,373,000,311
Investment securities at amortized cost	4.82%	115,651,776	-	155,258,000	132,897,000	252,199,000	1,260,388,199	1,916,393,975
Investment securities at fair value through other comprehensive income	2.35%	18,345,657	-	12,785,000	19,199,000	1,077,000	-	51,406,657
		1,594,104,183	402,153,000	289,861,290	451,490,000	579,811,000	2,373,407,272	5,690,826,745
FINANCIAL LIABILITIES								
Deposits from banks and financial institutions		4,512,647	90,337,277	90,729,000	-	-	-	195,578,924
Customer's deposits and credit balances		1,299,777,901	2,716,116,000	498,666,000	108,760,000	11,306,000	-	4,634,625,901
Lease Liability		-	1,225,241	612,865	4,213,077	4,230,240	9,397,285	19,678,708
Other borrowings		99,283,835	-	185,937,000	-	19,518,000	-	304,738,835
		1,413,574,383	2,807,678,518	775,944,865	112,973,077	35,054,240	9,397,285	5,154,622,368

	Weighted Average Interest Rate	December 31, 2019						
		Not Subject to Interest	Less than 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	%	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
FINANCIAL ASSETS								
Cash and Central Bank	6.09	207,873,028	89,696,000	93,386,000	242,758,000	329,262,000	996,297,000	1,959,272,028
Deposits with banks and financial institutions	0.35	1,521,400	39,847,761	-	-	-	-	41,369,161
Loan to a bank	2.96	18,252	-	2,060,000	-	-	-	2,078,252
Investment securities at fair value through profit or loss	1.31	-	15,456,000	4,558,290	16,093,429	-	-	36,107,719
Loans and advances to customers	8.88	128,935,668	570,581,545	124,542,045	325,417,199	317,503,105	604,621,425	2,071,600,987
Investment securities at amortized cost	7.37	43,151,435	65,602,000	72,348,500	266,431,000	59,775,000	1,706,504,301	2,213,812,236
Investment securities at fair value through other comprehensive income	5.11	19,450,880	1,207,000	47,650,000	18,171,000	11,017,000	-	97,495,880
		400,950,663	782,390,306	344,544,835	868,870,628	717,557,105	3,307,422,726	6,421,736,263
FINANCIAL LIABILITIES								
Deposits from banks and financial institutions	9.9	95,395,404	149,077,202	10,050,000	-	-	-	254,522,606
Customer's deposits and credit balances	6.81	458,197,959	3,737,775,000	867,797,000	220,455,000	25,759,000	528,000	5,310,511,959
Lease Liability	8.5	-	1,097,045	906,468	4,767,622	4,101,473	11,193,246	22,065,854
Other borrowings	0.84	2,638	-	397,485	-	-	347,425,980	347,826,103
		553,596,001	3,887,949,247	879,150,953	225,222,622	29,860,473	359,147,226	5,934,926,522

Weighted average interest rate with Central Bank of Lebanon is normalized to exclude the impact of the assets under leverage arrangements.

D. Other Operational Risks

Litigation Risk

Litigation risk arises from pending or potential legal proceedings against the Bank (Note 42) and in the event that legal issues are not properly dealt with by the Bank. Litigation that may arise, whether from lawsuits or from arbitration proceedings, may affect the operations of the Bank as well as its results.

Since October 17, 2019, and as a result of the de-facto capital control and other measures adopted by Lebanese banks imposing various restrictions of free flow of customers' funds deposited with the banking sector, the Bank has been subject to an increased litigation risk. Management is monitoring and assessing the impact of existing and/or potential litigation and claims against the Bank in relation to these restrictive measures taking into consideration prevailing laws, regulations and local banking practices. Although there are uncertainties with respect to outcomes of any litigation in connection with the adoption of the various restrictive measures, management considers that any associated claims are unlikely to have a material adverse impact on the financial position and capital adequacy of the Bank.

43. CONTINGENCIES

The Bank is defendant in several lawsuits, whereby the aggregate amount claimed by the plaintiffs is around LBP 8.6 billion.

The Bank's tax returns for the years 2015 till 2020 inclusive are still subject to review by the relevant tax authorities. Any additional tax liability depends on the outcome of such reviews.

The Bank's social security declarations since October 2017 remain subject to review by the Social Security authorities. Any additional liabilities depend on the outcome of such reviews.

44. CAPITAL MANAGEMENT

The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) as adopted by the Central Bank of Lebanon, which is the lead supervisor of the Bank.

The following are the applicable regulatory capital ratios:

	Common Tier 1 Capital Ratio	Tier 1 Capital Ratio	Total Capital Ratio
As at December 31, 2020			
Minimum required capital ratios	4.50%	6.00%	8.00%
With the full capital conservation buffer of 2.5%	7.00%	8.50%	10.50%
As at December 31, 2019			
Minimum required capital ratios	4.50%	6.00%	8.00%
With the full capital conservation buffer of 2.5%	7.00%	8.50%	10.50%

The Central Bank of Lebanon issued intermediary circular No.567 dated August 26, 2020 introducing several changes in the calculation of the regulatory capital adequacy ratios. These key changes are discussed below:

Key regulatory changes:	
Increasing the regulatory ECL on Lebanese government bonds in foreign currency from 9.45% to 45% and allowing the constitution of the regulatory ECL progressively over a period of five years starting from 2020, noting that the BDL Central Council may accept to extend the term to ten years for banks that manage to complete the 20% cash contribution to capital before December 31, 2020. Regulatory ECL for other exposures remain unchanged, i.e. exposures in foreign currency with BDL 1.89%; exposures in Lebanese Pounds with BDL and Lebanese treasury bills in Lebanese Pounds 0%.	The Bank applied the following ECL levels on exposures to Lebanese sovereign and Central Bank in these financial statements as at December 31, 2020: - Central Bank exposures in foreign currencies: 1.89% Over 10 years - Central Bank exposures in Lebanese Pound: 0% - Sovereign exposures in foreign currencies: 45% Over 10 years - Sovereign exposures in Lebanese Pound: 0%
By February 28, 2021 (extended), banks should complete a 20% increase of the common equity tier I capital as at December 31, 2018 through issuing new foreign currency capital instruments as well as other approaches that meet the criteria for inclusion as regulatory capital. The BDL Central Council may consider for banks to complete 50% of this capital increase through transfer of real estate by the shareholders, provided these a liquidated within 5 years	As discussed in Note 23, the Bank's Extraordinary General Assembly of shareholders held on January 30, 2020 called additional cash contribution from shareholders in the amount of USD93.86million. Up to December 31, 2020, the Bank's shareholders settled USD 45.96 million (LBP69.29billion) in the form of cash contribution with the remaining balance of USD47.9million (LBP72.2billion).
Banks can include the revaluation surplus of real estate properties in Common Equity Tier I capital instead of 50% in Tier II, subject to BDL approval on the revaluation. The deadline set by the regulator for the revaluation of real estate is December 31, 2021.	
Banks should refrain from dividend distribution, should capital adequacy ratios fall below 7% for common equity Tier I ratio; 10% for tier I ratio; and 12% for total capital ratio. Furthermore, if the capital conservation buffer on common equity falls below 2.5% of risk weighted assets during 2020 and 2021, banks should rebuild the gap by end of 2024, by a minimum of 0.75% per year, starting 2022 years according to an approved plan by the Banking Control Commission of Lebanon.	The Bank did not draw down its capital conservation buffer as at December 31, 2020.
Banks should refrain from dividend distribution, should capital adequacy ratios fall below 7% for common equity Tier I ratio; 10% for tier I ratio; and 12% for total capital ratio. Also, banks are prohibited from distributing dividends on common shares for the years 2019 and 2020.	No dividends were distributed during the year.
As exceptional measures, 100% of ECL on Stage 1 and Stage 2 exposures (except those against sovereign and BDL exposures in local and foreign currency), may be added to common equity Tier I capital. These will be gradually amortized to 75% in 2022, 50% in 2023 and 25% in 2024	The Bank's levels of Common Equity Tier I and Tier II, increased by LBP 47.146 Billion and increased by LBP 3.573 Billion as at December 31, 2020 compared to December 31, 2019.

The Bank's capital adequacy ratio was as follows:

	December 31,	
	2020	2019
	LBP Million	LBP Million
Common Equity Tier I	663,677	365,759
Additional Tier I capital	152,787	152,787
	816,464	518,546
Tier II capital	3,998	57,255
Total regulatory capital	820,462	575,801
Credit risk	4,698,985	5,303,935
Market risk	27,616	57,220
Operational risk	316,351	319,843
Risk-weighted assets and risk-weighted off-balance sheet items	5,042,952	5,680,998
Equity Tier I ratio	13.16%	6.44%
Tier I capital ratio	16.19%	9.13%
Risk based capital ratio - Tier I and Tier II capital	16.27%	10.14%

The Bank's capital adequacy ratio as at December 31, 2020 and 2019, similarly to other applicable regulatory ratios, was calculated based on the disclosed figures, and did not take into consideration the adjustments that will result from the uncertainties discussed under Note 1.3 once these uncertainties become reasonably quantifiable. Due to the high levels of these uncertainties, management is unable to estimate in a reasonable manner, the impact of these matters on the Bank's capital adequacy and the recapitalization needs that may arise once the necessary adjustments are determined and recorded.

45. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

For the purpose of fair value disclosures, the Bank determines 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.

As a result of the unprecedented levels of uncertainty surrounding the economic crisis that Lebanon, and particularly the banking sector in Lebanon, is experiencing, as described in Note 1, management is unable to produce reasonable estimation of the fair value of financial assets and liabilities concentrated in Lebanon as the measurement of their fair value is either (i) dependent on prices quoted in a market that is severely inactive and illiquid; or (ii) determined using cash flow valuation models using observable market inputs, comprising of interest rates and yield curves, implied volatilities, and credit spreads.

46. RELATED PARTY TRANSACTIONS

Related parties represent the Parent Bank, subsidiaries, key management personnel and their close family members, and entities controlled or jointly controlled by them. In the normal course of business, the Bank has dealings at market rates, or on terms agreed by the management of the Bank with related parties.

Below are balances and transactions with related parties included in these financial statements:

	2020 LBP'000	2019 LBP'000
Deposits with banks	77,624,981	3,067,894
Loans and advances to key management personnel	5,185,619	7,105,483
Deposits from banks	188,689,451	112,326,309
Customers' deposits	54,526,403	56,579,733

Remuneration to executive management paid during 2020 amounted to LBP1.2billion (LBP3.7billion in 2019).

47. APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS

The separate financial statements for the year ended December 31, 2020 were approved by the Board of Directors in its meeting held on August 5, 2021.