BLC BANK S.A.L.

SEPARATE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2021

BLC BANK S.A.L.
SEPARATE FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2021

TABLE OF CONTENTS

Deloitte.

Deloitte & Touche
Arabia House
131 Phœnicia Street
Ain Mreisseh, Beirut
P.O.Box 11-961
Lebanon

Tel: +961 (0) 1 364 700
Tel: +961 (0) 1 364 701
Fax: +961 (0) 1 367 087
Fax: +961 (0) 1 369 820
www.deloitte.com

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

BT 30714/DTT

INDEPENDENT AUDITOR'S REPORT

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

Adverse Opinion

We have audited the separate financial statements of BLC Bank S.A.L. (the "Bank"), which comprise the separate statement of financial position as at December 31, 2021 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 described in the Basis for Adverse Opinion section of our report, the accompanying separate financial statements do not present fairly the separate financial position of the Bank as at December 31, 2021, and 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 1, 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, 2021. IAS 29 requires that the separate 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. Our opinion in the prior year was also modified in respect of this matter.

INDEPENDENT AUDITOR'S 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 in the prior year was also modified in respect of this matter.

3. Management has translated transactions and monetary assets and liabilities denominated in foreign currencies, to the Bank's functional currency in accordance with the accounting policy on foreign currency transactions described in Note 3, using the official published exchange rates. As described in Note 1 to the separate financial statements, other exchange rates and exchange mechanisms were introduced by the Central Bank of Lebanon during the year ended December 31, 2021 and which differ significantly from the official published exchange rates. In translating transactions and monetary assets and liabilities denominated in foreign currencies, management did not determine the exchange rate at which future cash flows or balances could have been settled if those cash flows had occurred at the measurement date, which constitutes a departure from IFRSs. Had the Bank translated transactions and monetary assets and liabilities denominated in foreign currencies at the exchange rate at which future cash flows or balances could have been settled if those cash flows had occurred at the measurement date, many elements of the accompanying separate financial statements, including disclosures, would have been materially impacted. The effects on the separate financial statements of this departure have not been determined.

4. Cash and balances with Central Bank of Lebanon, investment securities at amortized cost and other assets, which are carried in the separate statement of financial position at LBP2,403billion, LBP1,531billion and LBP59billion respectively (2020: LBP2,238billion, LBP1,916billion and LBP33billion respectively), include balances held with the Central Bank of Lebanon and Lebanese government debt securities of LBP3,193billion and LBP720billion respectively (2020: LBP3,063billion and LBP1,050billion 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.

5. 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 LBP983billion, LBP50billion and LBP1,531billion respectively (2020: LBP1,373billion, LBP100billion and LBP1,916billion respectively) include loans and advances to customers, balances with banks and financial institutions and investments in debt securities originated by the private sector of LBP983billion, LBP7billion and LBP128 million respectively (2020: LBP1,373billion; LBP72billion and LBP2billion respectively) which are concentrated in Lebanon. 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.

6. Provisions, which are carried in the separate statement of financial position at LBP34billion, (2020: LBP12billion) include a provision for expected credit losses on financial guarantees and other commitments of LBP1billion (2020: LBP363 million). 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. Our opinion in the prior year was also modified in respect of this matter.

7. Investment securities at fair value through profit or loss and investment securities at fair value through other comprehensive income which are carried in the separate statement of financial position at LBP54billion and LBP19billion respectively (2020: LBP11billion and LBP51billion respectively), include investment securities of LBP43billion and LBP19billion respectively (2020: LBP5billion and LBP51billion respectively), which are issued by the Lebanese government and private entities domiciled in Lebanon. 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.

8. 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. We were unable to determine the fair value of the Group's financial assets and financial liabilities at amortized cost which should be disclosed. Our opinion in the prior year was also modified in respect of this matter.

9. Other operating expense, net, which is reported in the separate statement of profit or loss at LBP37 million includes foreign exchange losses of LBP8billion. We were unable to obtain sufficient appropriate audit evidence about the foreign exchange losses because we could not inspect documentation relating to these losses. Consequently, we were unable to determine whether any adjustments to this amount were necessary.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 separate 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.

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, 2021. 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.

Auditor's 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 auditor's 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.

- 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 auditor's 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 auditor's 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.

Beirut, Lebanon
August 5, 2022

DFK Fiduciaire du Moyen Orient

Deloitte & Touche

Deloitte & Touche

BLC BANK S.A.L.
SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

ASSETS	Notes	December 31, 2021 LBP'000	December 31, 2020 LBP'000
Cash and balances with Central Bank of Lebanon	5	2,403,406,940	2,237,560,555
Deposits with banks and financial institutions	6	50,094,949	100,226,378
Loan to a bank	7	691,446	1,384,631
Loans and advances to customers	8	982,900,379	1,373,000,311
Investment securities at fair value through profit or loss	9	53,727,295	10,854,238
Investment securities at amortized cost	9	1,531,142,409	1,916,393,975
Investment securities at fair value through other comprehensive income	9	18,799,328	51,406,657
Customers' liability under acceptances	11	-	149,084
Investments in subsidiaries	12	96,613,340	104,418,613
Assets acquired in satisfaction of loans	13	62,387,713	69,863,846
Right-of-use assets	14	8,159,620	18,616,649
Property and equipment	15	84,597,026	89,825,297
Intangible assets	16	3,165,075	4,643,521
Other assets	17	59,086,653	33,199,610
Total Assets		5,354,772,173	6,011,543,365
FINANCIAL INSTRUMENTS WITH OFF- BALANCE SHEET RISKS:	38		
Letters of guarantee and standby letters of credit		78,347,433	83,116,613
Forward exchange contracts		17,015,200	18,512,100
FIDUCIARY ACCOUNTS	39	4,522,500	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, 2021

(Continued)

LIABILITIES	Notes	December 31, 2021 LBP'000	December 31, 2020 LBP'000
Deposits from banks and financial institutions	18	154,786,611	195,578,924
Customers' accounts	19	4,222,461,232	4,634,625,901
Liability under acceptances	11	-	149,084
Other borrowings	20	219,365,528	304,738,835
Lease liabilities	14	8,824,282	19,678,708
Other liabilities	21	79,983,123	85,171,984
Provisions	22	34,010,827	11,991,265
Total liabilities		4,719,431,603	5,251,934,701
EQUITY			
Capital	23	214,000,000	214,000,000
Shareholders' cash contribution to capital	23	141,492,443	69,289,411
Preferred shares	24	152,786,633	152,786,633
Treasury shares	25	(75,882,381)	(76,855,365)
Non-distributable reserves	26	262,376,874	262,376,874
Brought forward retained earnings		142,917,257	170,891,949
Cumulative change in fair value of investments at fair value through other comprehensive income	9	(10,151,288)	(4,906,146)
Net loss for the year		(192,198,968)	(27,974,692)
Total equity		635,340,570	759,608,664
Total Liabilities and Equity		5,354,772,173	6,011,543,365

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, 2021

	Notes	Year ended December 31, 2021 LBP'000	Year ended December 31, 2020 LBP'000
Interest income		260,529,706	351,020,601
Less: Tax on interest		(21,101,055)	(25,730,602)
Interest income, net of tax	28	239,428,651	325,289,999
Interest expense	29	(63,314,346)	(191,781,299)
Net interest income		176,114,305	133,508,700
Fee and commission income	30	36,323,654	36,863,707
Fee and commission expense	31	(1,309,515)	(2,019,439)
Net fee and commission income		35,014,139	34,844,268
Losses arising from the derecognition of financial assets measured at amortized cost	32	(14,521,566)	(36,574,731)
Losses arising from the derecognition of debt securities measured at fair value through other comprehensive income	33	(89,576)	(108,794)
Net interest and other gain on investment securities at fair value through profit or loss	34	(184,024,867)	3,031,717
Other operating expense, net	35	(36,908,224)	(7,824,593)
Net financial revenues		(24,415,789)	126,876,567
Allowance for expected credit losses, net	42	(59,402,555)	(53,360,701)
Recovery of loans and advances, net		273,755	94,713
Net financial revenues after net expected credit losses		(83,544,589)	73,610,579
Net gain on disposal of property and equipment and properties acquired in satisfaction of loans	13,15	9,037,567	16,032,178
Provision for risks and charges	22	(20,768,000)	3,315,000
Staff cost	36	(52,022,482)	(66,478,187)
Tax on revenues	21	-	(11,500,000)
General and administrative expenses	37	(36,055,653)	(25,172,307)
Depreciation and amortization	15,16	(7,567,144)	(7,649,011)
Depreciation of right-of-use assets	14	(1,278,667)	(3,732,944)
Loss before income tax		(192,198,968)	(21,574,692)
Income tax expense	21	-	(6,400,000)
Loss for the year		(192,198,968)	(27,974,692)

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, 2021

	Notes	Year ended December 31, 2021 LBP'000	Year ended December 31, 2020 LBP'000
Loss for the year		(192,198,968)	(27,974,692)
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		(7,315,533)	(11,519,602)
Deferred tax	17,21	833,601	933,232
		(6,481,932)	(10,586,370)
Items that will 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)		1,490,109	178,261
Deferred tax asset	17,21	(253,319)	(30,305)
		1,236,790	147,956
Total other comprehensive loss		(5,245,142)	(10,438,414)
Total comprehensive loss for the year		(197,444,110)	(38,413,106)

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, 2021

	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, 2020	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
Appropriation of 2020 loss	-	-	-	-	-	-	(27,974,692)	27,974,692	-
Contributions from shareholders (Note 23)	-	-	-	72,203,032	-	-	-	-	72,203,032
Effect of exchange rates changes	-	-	972,984	-	-	-	-	-	972,984
Total comprehensive loss for the year 2021	-	-	-	-	-	(5,245,142)	-	(192,198,968)	(197,444,110)
Balance - December 31, 2021	214,000,000	152,786,633	(75,882,381)	141,492,443	262,376,874	(10,151,288)	142,917,257	(192,198,968)	635,340,570

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, 2021

	Notes	Year Ended December 31, 2021 LBP'000	2020 LBP'000
Cash flows from operating activities:			
Net loss for the year		(192,198,968)	(27,974,692)
Adjustments for:			
Allowance for expected credit losses	42	59,402,555	53,360,701
Depreciation and amortization	15,16	7,567,144	7,649,011
Depreciation of right-of-use	14	1,278,667	3,732,944
Provision for/(write-back of) risk and charges (net)	22	20,768,000	(3,315,000)
Provision for /(write-back of) end-of-service indemnities (net)	22	863,052	(2,473,389)
Provision for /(write-back of) loss on foreign currency position	22	11,691	(841,411)
Effect of foreign currency fluctuations		8,798,457	(9,436,999)
Unrealized loss on investments at fair value through profit or loss	34	(184,030,219)	3,153,123
Tax on revenues		-	11,500,000
Income tax expense	21	-	6,400,000
Loss/(gain) on disposal of property and equipment	15	121,563	(321,071)
Gain on disposal of property acquired in satisfaction of loans	13	(9,159,130)	(15,711,107)
Dividend income	34, 35	(5,352)	(97,742)
Interest expense	29	63,314,346	191,781,299
Interest income	28, 34	(239,428,651)	(325,302,936)
		(462,696,845)	(107,897,269)
Net decrease in loans and advances to customers		394,315,771	697,729,652
Net decrease in investments at fair value through other comprehensive income		20,456,474	33,947,936
Net (increase)/decrease in investments at fair value through profit or loss		(84,967,838)	21,962,370
Net decrease in investments at amortized cost		549,761,833	235,638,078
Net decrease in customers' deposits		(404,775,183)	(641,233,286)
Net (increase)/decrease in compulsory deposits with the Central Bank		(38,922,317)	26,994,024
Net (decrease)/increase in margin with banks		-	244,709
Net decrease in term deposits with Central Bank		140,584,248	220,642,877
Net increase in deposits from banks		(39,548,998)	(61,608,312)
Net increase in other assets		(25,887,043)	(2,429,285)
Net decrease/(increase) in other liabilities		9,892,696	(690,461)
Proceeds from disposal of assets acquired in satisfaction of loans	13	16,635,263	29,823,302
Settlements made from provisions	22	(467,751)	(1,559,437)
		74,380,310	451,564,898
Income tax paid		(3,008,684)	-
Tax on revenues paid		(11,492,591)	-
Dividends received from investments at fair value through profit or loss	34	5,352	86,504
Dividends received from investments at fair value through other comprehensive income	35	-	11,238
Interest paid		(70,920,437)	(222,679,105)
Interest received		250,184,742	342,638,278
Net cash generated from operating activities		239,148,692	571,621,813
Cash flows from investing activities:			
Proceeds from disposal of property and equipment		4,524	1,345,042
Increase in investment in subsidiary	12	(20,200)	-
Acquisition of property and equipment	15	(840,943)	(3,450,225)
Increase in intangible assets	16	(145,571)	(233,769)
Net cash used in investing activities		(1,002,190)	(2,338,952)
Cash flows from financing activities:			
Shareholders' cash contribution to capital		72,203,032	69,289,411
Settlement of lease liabilities	14	(2,702,774)	(3,480,120)
Net decrease in loan to a bank		686,646	700,000
Net decrease in other borrowings	20	(85,373,307)	(43,084,630)
Net cash (used in)/ generated from financing activities		(15,186,403)	23,424,661
Net increase in cash and cash equivalents		222,960,099	592,707,522
Cash and cash equivalents beginning of year	40	852,905,296	260,197,774
Cash and cash equivalents end of year	40	1,075,865,395	852,905,296

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, 2021

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 direct parent of the Bank.

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

1.1 The Macro Economic Environment

The Bank's operations are mostly carried in Lebanon that has been witnessing, since the last quarter of 2019, 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 was accompanied with systemic failures across banking, debt, exchange rate and the collapse of basic services. 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. Banks have imposed unofficial strict capital controls, ceased financing activities and stopped attracting deposits. The banking sector endures in a segmented payment system that differentiates between the pre-crisis 'legacy dollar' (onshore dollars) deposits and the post crisis 'fresh dollar' (offshore dollars) inflows, yet minimal. The legacy dollar deposits are subject to sharp deleveraging through de facto lirafication. 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. The Lebanese currency continues to lose value as inflation rates remain in the triple digits. This has resulted in an uncontrolled rise in prices and in the consumer price index; lifting import subsidies on food, fuel and medication; loss of confidence in the economy and deterioration in the economic fundamentals. The financial crisis has been intensified by the COVID-19 and the devastating explosion at the Beirut seaport on August 4, 2020 causing severe property damages across a wide area of the capital along with a large number of casualties.

During 2020 in an attempt to control the high rise in prices and to compensate for the loss in the purchasing power of the Lebanese people, the Central Bank of Lebanon, through several circulars, introduced several measures including the subsidy of Tier 1 essential imports (fuel oil, medicine and wheat) at the official exchange rate (1507.5 LBP/USD) and the subsidy of Tier 2 essential imports as defined by the Central Bank of Lebanon. Both subsidies were discontinued during 2021. Further measures introduced by the Central Bank of Lebanon during 2020 included the platform rate to be used in specific circumstances and for the purpose of allowing depositors to withdraw small amounts of cash from their pre-crisis foreign currency bank accounts based on monthly limits set by each bank separately.

During 2021 the Central Bank of Lebanon introduced Basic Circular # 157 "*Exceptional Procedures on Foreign currency Operations*" enacting the legal and regulatory framework of the electronic 'Sayrafa' foreign exchange trading platform which should be used by banks operating in Lebanon to process customers' foreign exchange transactions (buy and sell).

However, the above measures remain unsustainable and despite these efforts, inflation continues to increase at an accelerating pace, eroding the real value of the local currency and "local" foreign currency bank accounts, and tossing Lebanon in hyperinflation and major economic collapse.

Lebanese Government Financial Recovery Plan

On May 1, 2020 the Lebanese government addressed a formal request for support from the International Monetary Fund (IMF) as part of its Financial Recovery Plan (the 'Plan') approved on April 30, 2020, which included 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. This Plan was challenged by the Association of Banks in Lebanon (ABL) and by certain political parties and has not been implemented.

On April 7, 2022 the Lebanese government signed a staff-level agreement with the IMF for a 46-month extended fund facility, under which the Lebanese government has requested access to the equivalent of around USD 3billion. This agreement is subject to the approval of the IMF management and its Executive Board, and this approval is contingent on enacting a slew of economic reforms and restructuring of the financial sector, including:

i. Cabinet/ parliamentary approval of a bank restructuring strategy enabling legislation in conjunction with an audit of the largest 14 banks;
ii. Parliamentary approval of a reformed bank secrecy law;
iii. Completion of the Central Bank of Lebanon's audit;
iv. A restructuring of the outstanding commercial debt (including Eurobonds);
v. Parliamentary approval of the 2022 budget; and
vi. Unification by the Central Bank of Lebanon of the exchange rates for authorized current account transactions.

On May 20, 2022 the Council of Ministers endorsed a financial recovery roadmap which includes several measures to secure international aid and unlock funds from the IMF discussed above. The roadmap includes the following:

i. Full audit on the Central Bank's forex financial position by July 2022.
ii. Cancelling a large part of the Central Bank of Lebanon obligations in foreign currency to commercial banks.
iii. Audit of the largest 14 commercial banks, representing 83% of total assets.
iv. Viable banks should be recapitalized with significant contributions from respective shareholders and large depositors. The plan said it would protect small depositors 'to the maximum extent possible' in each viable bank, without specifying the minimum protected amount.
v. Dissolving non-viable banks by November 2022.

Following the parliamentary elections on May 15, 2022 the Council of Ministers has lost its decision-making powers and a new Cabinet is yet to be formed. Parliamentary approvals for the matters indicated above are yet to be endorsed, including the capital control bill which was repeatedly opposed in the past.

The financial recovery plan and roadmap were severely criticized by the Association of Banks in Lebanon (ABL) and the assumptions made.

1.2 Central Bank of Lebanon (BDL) policy initiatives

Since the beginning of the crisis in October 2019, the Central Bank of Lebanon 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 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 LBPrespectively. Similarly, interest on customers deposits denominated in foreign currencies are paid 50%-50% in the account currency and LBPrespectively.
  - Banks should comply with interest rate ceilings on customer deposits capped at 5% and 8.5% on foreign currency and LBPdenominated 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.
- *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 (LBP1,507.5 to the USD).

Foreign exchange policies:

- *Basic Circular 151 "Cash Withdrawals from Foreign Currency Bank Accounts"* dated April 21, 2020 provides withdrawals of pre-crisis customers' deposits in foreign currencies with banks, at the rate of 3,900 LBP/ USD, which was then increased to 8,000 LBP/ USD and within a monthly limit of USD 3,000 by bank account. Effective until June 30, 2022.
- Basic Circular 157 *"Exceptional Procedures on Foreign currency Operations"* issued on May 10, 2021 enacting the legal and regulatory framework of the 'Sayrafa' foreign exchange trading platform developed by the Central Bank of Lebanon. Transactions that can be conducted on the 'Sayrafa' platform consist of purchasing LBPin exchange of fresh foreign currency and purchasing fresh foreign currency in exchange of LBP. The bid/ask spread that banks are allowed to achieve, is capped at 1% of the purchase price. The Central Bank of Lebanon may at its sole discretion, interfere on the Platform to stabilize the exchange rate. The 'Sayrafa' platform is not available for trading onshore pre-crisis foreign currency bank accounts as these are subject to unofficial capital control.

  The average daily trading exchange rates and daily volume of foreign currency traded on the Sayrafa platform are published on the Central Bank of Lebanon website.

  Closing average exchange rate on December 31, 2021: USD 1 = LBP22,700
  Average exchange rate during the period from May 10, 2022 to December 31, 2021: USD 1 = LBP16,266

  Closing average exchange rate on December 31, 2021: Not applicable.
  Average exchange rate during the year ended December 31, 2021: Not applicable.

- Basic Circular 158 *"Exceptional Measures for the Gradual Withdrawal of Deposits in Foreign currencies"* issued on June 8, 2021 setting out an exceptional framework for the settlement of onshore foreign currency deposits up to an amount equivalent to USD 50,000. To benefit from the provisions of the said circular, certain eligibility criteria must be met. Customers' monthly entitlements are (i) an amount of USD 400 in cash or equivalent (transfer abroad, credited to a payment card with international usage, etc.) and (ii) an amount in LBPequivalent to USD 400 and converted at a rate USD/LBP12,000, noting that 50% of the amount will be paid in cash and 50% will be credited to a payment card.

  The financing of the aforementioned process will be secured equally through (i) BDL reduction of compulsory reserves requirements from 15% to 14% as per BDL Intermediary Circular 586 and (ii) the bank's offshore liquidity. To that end, banks can use their foreign liquidity subject computed as per BDL Basic Circular 154 requirements on the condition they reconstitute it by December 31, 2022.

1.3 The Bank's Financial particulars

1.3.1 Foreign exchange

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 as published by the Central Bank of Lebanon on a monthly basis. Since the last quarter of 2019, several exchange rates emerged deviating significantly from each other and from the official peg as at December 31, 2021 and December 31, 2020 as discussed under Note 1.2, in addition to the estimated exchange rates detailed in the government's Financial Recovery Plan.
The existence of multiple foreign exchange rates as well as the accessibility to such rates, necessitates the review of the appropriate exchange rates that entities should use in accounting for and reporting their foreign currency transactions. The judgment of which foreign exchange (FX) rate to use depends on the official FX rate at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date. This should take into account the specific facts and circumstances relating to each transaction or balance.

In the light of uncertainties, management did not determine the rates at which future cash flows represented by the transaction or balance could have been settled depending on its source and nature, if those cash flows had occurred at the measurement date. Accordingly, the Bank's transactions and monetary assets and liabilities in foreign currencies, whether onshore or offshore, were converted in Lebanese pound at the official exchange rate peg of USD1 = LBP1,507.5.

As the official exchange rate significantly deviates from the exchange rates in the parallel markets, this does not represent a reasonable estimate of expected cash flows that would have to be generated/used from the realization of such assets or the payment of such liabilities at the date of the transaction or of the financial statements. The valuation of the Bank's 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.

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 2021 and which amounted to LBP8.2billion (LBP10.5billion in 2020) (Note 35).

1.3.2 *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.

Since the year 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. The Lebanese national statistics office reported 3-year and 12-month cumulative rates of inflation of 753% and 224%, respectively, as of December 31, 2021 (2020: 173% and 146% respectively). Qualitative indicators, following the deteriorating economic condition and currency controls, also support the conclusion that Lebanon is a hyperinflationary economy for accounting purposes for periods ending on or after 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.

1.3.3 *Exposure to financial instruments*

As at December 31, 2021, the Bank's net credit exposure to Lebanese sovereign debt, including BDL, represented approximately 75% of total assets (2020: 70%).

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 government's recovery plans 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 considers that the adverse impact of the above is expected to be pervasive and will have a significant negative impact 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, 2021 and 2020, 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.

1.3.4 *Litigations and claims*

Until the above uncertainties are resolved, the Bank is continuing its operations as performed since 17 October 2019 and in accordance with the laws and regulations. Unofficial capital controls and inability to transfer foreign currencies to correspondent banks outside Lebanon are exposing the Bank to litigations that are dealt with on a case-by-case basis when they occur. The Bank has been subject to increased litigations as a result of these restrictive measures adopted by Lebanese banks in relation to withdrawal of funds and transfers abroad, as well as in relation to the repayment by customers of local foreign currency loans in Lebanese pound. Management is carefully considering the impact of these existing litigations and claims. There are still uncertainties related to the consequences of these restrictive measures based on the current available information and the prevailing laws and local banking practices. However due to recent development and the increasing trend in judgments ruled in favor of the plaintiffs and customers, management considers that they may affect negatively the offshore liquidity of the Bank, its foreign assets and its foreign currency mismatch. as disclosed in Note 44. The amount cannot be determined presently.

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

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

2.1 New and amended IFRS that effective for the current year

In the current year, the Bank has applied the below amendments to IFRS Standards and Interpretations that are effective for an annual period that begins on or after January 1, 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Interest Rate Benchmark Reform "phase two" amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16	The amendments enable entities to reflect the effects of transitioning from benchmark interest rates, such as interbank offer rates (IBORs) to alternative benchmark interest rates without giving rise to accounting impacts that would not provide useful information to users of financial statements. The amendments affect many entities and in particular those with financial assets, financial liabilities or lease liabilities that are subject to interest rate benchmark reform and those that apply the hedge accounting requirements in IFRS 9 or IAS 39 to hedging relationships that are affected by the reform. - The amendments apply to all entities and are not optional. - The amendments are effective for annual periods beginning on or after January 1, 2021 with early application permitted.

19-Related Rent Concessions beyond June 30, 2021 [IFRS 16]	In May 2020 the International Accounting Standards Board (IASB) amends IFRS 16, which relieves a lessee from assessing whether a COVID-19-related rent concession is a lease modification, that applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2021. In March 2021, IASB extended the availability of the practical expedient to rent concessions for which any reduction in lease payments affects payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met. This is the only change made to the practical expedient. - The amendments are effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted.

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

The following IFRS have been issued but are not yet effective and have not been early adopted by the Group. The Group intends to adopt them when they become effective.

IFRS 17 *Insurance Contracts*	The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.
Amendments to IFRS 3 *Reference to the Conceptual Framework*	The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same or earlier.
Amendments to IAS 16 *Property, Plant and Equipment—Proceeds before Intended Use*	The amendments are effective for annual periods beginning on or after January 1, 2022, with early application Permitted.
Amendments to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*	The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.
Annual Improvements to IFRS Standards 2018-2020 Cycle	*Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture.* The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.

Amendment to IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9 The amendment is effective for annual periods beginning on or after January 1, 2023.
Amendment to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies the amendment is effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 8	Definition of accounting estimates The amendment is effective for annual periods beginning on or after January 1, 2023.

Management anticipates that these new Standards, Interpretations and amendments will be adopted in the Bank's financial statements for the period of initial application and adoption of these new Standards, Interpretations and amendments 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.

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.

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 guarantees 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.

<u>Credit-impaired financial assets</u>

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.

<u>Purchased or originated credit impaired (POCI) financial assets</u>

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.

<u>Definition of default</u>

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.

<u>Cash flow hedges</u>

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.

<u>Hedges of net investments in foreign operations</u>

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. <u>Non-Current assets held for sale</u>

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. <u>Assets acquired in satisfaction of loans</u>

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 (the '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 three months or less.

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.

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,			
	2021		2020	
	Balance	of which Compulsory/ Regulatory Deposits	Balance	of which Compulsory/ Regulatory Deposits
	LBP'000	LBP'000	LBP'000	LBP'000
Cash on Hand	42,589,527	-	38,491,940	-
Central Bank of Lebanon:				
Current accounts	939,906,462	79,187,138	578,642,630	40,264,821
Term placements	1,403,927,244	463,203,269	1,596,631,492	512,360,130
Accrued interest receivable	24,684,049	-	27,196,813	-
	2,411,107,282	542,390,407	2,240,962,875	552,624,951
Allowance for expected credit losses (Note 42)	(7,700,342)	-	(3,402,320)	-
	2,403,406,940	542,390,407	2,237,560,555	552,624,951

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,	
	2021	2020
	LBP'000	LBP'000
Current accounts with banks and financial institutions	43,115,960	23,228,066
Current accounts with the Parent Bank	5,729,108	4,956,943
Current accounts with related banks and financial institutions	648,976	4,981,288
	49,494,044	33,166,297
Term placements with the Parent Bank	-	67,686,750
Margin accounts	814,742	814,742
	814,742	68,501,492
	50,308,786	101,667,789
Provision for expected credit losses (Note 42)	(213,837)	(1,441,411)
	50,094,949	100,226,378

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

	December 31,	
	2021	2020
	LBP'000	LBP'000
Onshore	7,176,715	73,376,965
Offshore	43,132,071	28,290,824
	50,308,786	101,667,789

7. LOAN TO A BANK

	December 31,	
	2021	2020
	LBP'000	LBP'000
Principal outstanding	700,000	1,400,000
Accrued interest receivable	4,766	11,305
	704,766	1,411,305
Provision for expected credit losses (Note 42)	(13,320)	(26,674)
	691,446	1,384,631

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, 2021		
	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	331,051,347	(5,943,168)	325,108,179
Personal loans	68,008,184	(3,538,238)	64,469,946
Car loans	22,927,285	(743,213)	22,184,072
Credit cards	3,652,872	(105,299)	3,547,573
Education loans	5,534,799	(65,064)	5,469,735
Staff loans	2,079,850	-	2,079,850
Private banking	12,655	-	12,655
Small and medium enterprises	79,770,676	(2,122,922)	77,647,754
Corporates	314,082,267	(17,652,476)	296,429,791
	827,119,935	(30,170,380)	796,949,555
Credit risk stage 3:			
Substandard	115,658,409	(18,827,062)	96,831,347
Doubtful	139,370,335	(62,533,180)	76,837,155
Bad	43,097,674	(43,082,484)	15,190
	298,126,418	(124,442,726)	173,683,692
	1,125,246,353	(154,613,106)	970,633,247
Accrued interest receivable	12,267,132	-	12,267,132
Total	1,137,513,485	(154,613,106)	982,900,379

	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

The above balances include loans to related parties of LBP3.7billion (2020: LBP5.2billion).

9. INVESTMENT SECURITIES

	December 31,					
	2021			2020		
	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	52,356,875	53,727,295	1,370,420	9,483,818	10,854,238
	1,370,420	52,356,875	53,727,295	1,370,420	9,483,818	10,854,238
At fair value through other comprehensive income	4,954,316	13,759,817	18,714,133	13,665,607	37,621,608	51,287,215
Accrued interest receivable	85,195	-	85,195	119,442	-	119,442
	5,039,511	13,759,817	18,799,328	13,785,049	37,621,608	51,406,657
At amortized cost	732,419,428	774,418,361	1,506,837,789	765,852,628	1,124,638,809	1,890,491,437
Accrued interest receivable	23,467,330	837,290	24,304,620	25,053,118	849,420	25,902,538
	755,886,758	775,255,651	1,531,142,409	790,905,746	1,125,488,229	1,916,393,975

A. Investments at fair value through profit or loss:

	December 31,					
	2021			2020		
	Local Currency	Foreign Currencies	Total	Local Currency	Foreign Currencies	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Quoted equities	-	10,590,143	10,590,143	-	6,150,799	6,150,799
Unquoted equities	1,370,420	3,016,444	4,386,864	1,370,420	3,016,443	4,386,863
Lebanese government bonds	-	38,441,250	38,441,250	-	-	-
Mutual Funds	-	309,038	309,038	-	316,576	316,576
	1,370,420	52,356,875	53,727,295	1,370,420	9,483,818	10,854,238

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,					
	2021			2020		
	Local Currency	Foreign Currencies	Total	Local Currency	Foreign Currencies	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Unquoted equities	(1,713,693)	9,275,005	7,561,312	5,601,841	1,095,976	6,697,817
Lebanese government bonds	-	25,100,802	25,100,802	-	37,282,938	37,282,938
Lebanese treasury bills	6,668,009	-	6,668,009	8,063,766	-	8,063,766
	4,954,316	34,375,807	39,330,123	13,665,607	38,378,914	52,044521
Accrued interest receivable	85,195	-	85,195	119,442	-	119,442
Expected credit loss (Note 42)	-	(20,615,990)	(20,615,990)	-	(757,306)	(757,306)
	5,039,511	13,759,817	18,799,328	13,785,049	37,621,608	51,406,657

C. **Investments at amortized cost:**

	December 31, 2021							
	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	114,178,679	-	114,178,679	2,455,203	-	-	-	-
Lebanese government bonds	-	-	-	-	743,085,581	(140,197,684)	602,887,897	-
Certificates of deposit issued by Central Bank of Lebanon	618,114,708	-	618,114,708	21,010,041	171,701,064	(170,600)	171,530,464	837,290
Corporate bonds and asset backed securities	126,970	(929)	126,041	2,086	-	-	-	-
	732,420,357	(929)	732,419,428	23,467,330	914,786,645	(140,368,284)	774,418,361	837,290

	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

Lebanese treasury bills and certificates of deposit issued by Central Bank of Lebanon amounting to LBP15.22billion and LBP7.94billion respectively (2020: LBP15.22billion and LBP7.94billion respectively) are pledged against borrowings from Central Bank of Lebanon (Note 41).

During 2021, the Bank transferred Eurobonds in the amount of LBP226Billion from securities held at amortized cost and fair value through other comprehensive income to fair value through profit and loss in order to increase regulatory offshore liquidity.

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

	December 31, 2021					
	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	72,725,000	72,843,942	6.11	-	-	-
1 year to 3 years	3,155,000	3,153,754	7.12	-	-	-
3 years to 5 years	20,819,020	21,900,345	7.08	-	-	-
5 years to 10 years	829,000	829,000	7.46	-	-	-
Above 10 years	15,124,490	15,451,638	10.19	-	-	-
	112,652,510	114,178,679		-	-	
Lebanese government bonds:						
Past due (defaulted)	-	-	-	-	-	-
Up to one year (defaulted)	-	-	-	-	-	-
1 year to 3 years (defaulted)	-	-	-	-	-	-
3 years to 5 years (defaulted)	-	-	-	212,863,523	213,031,856	-
5 years to 10 years (defaulted)	-	-	-	98,536,230	98,639,251	-
Above 10 years (defaulted)	-	-	-	417,440,318	431,414,474	-
	-	-		728,840,071	743,085,581	
Certificates of deposit issued by Central Bank of Lebanon:						
Up to one year	-	-	-	1,206,000	1,202,814	7
1 year to 3 years	-	-	-	22,612,500	22,612,500	6
3 years to 5 years	-	-	-	-	-	-
5 years to 10 years	-	-	-	147,885,750	147,885,750	7
Above 10 years	610,000,000	618,114,708	10.79	-	-	-
	610,000,000	618,114,708		171,704,250	171,701,064	
Corporate bonds and asset backed securities:						
5 years to 10 years	126,970	126,970	7.50	-	-	-
	126,970	126,970		-	-	

	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.

During 2020, 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	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)
		(146,443,000)
Acquired through swap:		
Term placements with Central Bank of Lebanon	Amortized cost	111,774,000
Current accounts with the Central Bank of Lebanon	Amortized cost	25,738,000
Certificates of deposit issued by Central Bank of Lebanon	Amortized cost	-
		137,512,000

During 2020 and 2019, 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.

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

	December 31,	
	2021	2020
	LBP'000	LBP'000
Assets under leverage arrangements:		
Term placements with Central Bank of Lebanon	231,709,000	355,831,000
Lebanese treasury bills at amortized cost	88,845,980	88,845,980
	320,554,980	444,676,980
Less: Borrowings under leverage arrangements	320,554,980	444,676,980
Net	-	-

Assets under leverage arrangement consist of term placements with the Central Bank of Lebanon and Lebanese Treasury bills in LBPsubject to interest rates between 1.26% 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 LBPplaced 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,	
	2021	2020
	LBP'000	LBP'000
Term placements with Central Bank of Lebanon in U.S. dollar	73,038,375	73,038,375
Term placements with Central Bank of Lebanon in Euro	22,155,200	64,828,800
Term placements with Central Bank of Lebanon in LBPoriginated from the sale of foreign currency	150,941,583	196,842,867
Term placements with Central Bank of Lebanon in LBPoriginated from the swap of certificates of deposit in foreign currency	19,682,000	19,682,000
	265,817,158	354,392,042

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.

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 statement of financial position for the same amount.

12. INVESTMENTS IN SUBSIDIARIES

			December 31, 2021					
				Bank's Interest in:				
Name	Country of Incorporation	Interest Held	Carrying Value	Assets	Liabilities	Revenues	Equity	Net Profit/(Loss)
		%	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
BLC Finance S.A.L.	Lebanon	99.04	7,634,110	8,699,173	52,630	-	8,646,543	(51,923)
BLC Services S.A.L.	Lebanon	90.67	27,400	4,672,773	740,051	2,082,090	3,932,722	231,547
USB Holdings PLC	Cyprus	99.25	88,951,830	3,703,752	-	-	3,703,752	-
			96,613,340	17,075,698	792,681	2,082,090	16,283,017	179,624

			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	506,190

On April 5, 2022 the Bank's directors approved the disposal of the entire shares of BLC Finance S.A.L. to an investment group. On May 17, 2022 the Bank signed the sale purchase agreement for a total consideration of USD 225,000 plus LBP8.75billion. The sale is subject to the approval of Central Bank of Lebanon.

On May 17, 2022, the Bank's directors approved the sale of its entire participation in the share capital of USB Holdings PLC for a total consideration of EUR18,318,263 after the payment to the minority shareholders.

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.

The movement of investments in subsidiaries during 2021 and 2020 was as follows:

	2021	2020
	LBP'000	LBP'000
Balance January 1	104,418,613	95,828,315
Other movement	20,200	-
Effect of foreign investment currency exchange difference	(7,825,473)	8,590,298
Balance December 31	96,613,340	104,418,613

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, 2020	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
Disposals	(7,573,530)	97,397	(7,476,133)
Balance December 31, 2021	70,229,293	(7,841,580)	62,387,713

Gain on disposal of assets acquired in satisfaction of loans during the year amounted to LBP9.2billion included in profit or loss (2020: LBP15.7billion).

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, 2020	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
Termination of rent contracts	(9,352,387)	(9,352,387)
Amortization of right-of-use assets	(1,278,667)	-
Other movement	174,025	174,025
Accretion of interest	-	1,026,710
Payments	-	(2,702,774)
Balance December 31, 2021	8,159,620	8,824,282

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

	2021	2020
	LBP'000	LBP'000
Amortization of right-of-use assets	1,278,667	3,732,944
Interest portion of lease liabilities	1,026,710	1,092,974
	2,305,377	4,825,918

15. PROPERTY AND EQUIPMENT

	Balance January 1, 2021 LBP'000	Additions LBP'000	Disposals and Adjustments LBP'000	Transfers LBP'000	Balance December 31, 2021 LBP'000
Cost/Revaluation:					
Owned Properties	87,770,621	-	-	-	87,770,621
Computer hardware	18,447,251	79,548	(57,604)	-	18,469,195
Machine and equipment	6,516,757	53,477	(2,846)	-	6,567,388
Furniture and fixture	6,518,106	-	(21,006)	-	6,497,100
Vehicles	983,974	-	(233,453)	-	750,521
Freehold and leasehold improvements	35,919,380	505,501	(58,110)	1,205,083	37,571,854
Advance payments	1,240,812	8,367	-	(940,915)	308,264
	157,396,901	646,893	(373,019)	264,168	157,934,943
Accumulated depreciation	(67,620,887)	(5,943,127)	246,932	-	(73,317,082)
Allowance for impairment	(65,308)	-	-	-	(65,308)
	(67,686,195)	(5,943,127)	246,932	-	(73,382,390)
Capital work-in-progress	114,591	-	-	(70,118)	44,473
Carrying values	89,825,297				84,597,026

	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	18,090,246	82,452	(1,099)	275,653	-	18,447,252
Machines and equipment	6,387,089	66,368	(262,877)	326,178	-	6,516,758
Furniture and fixtures	6,496,470	21,636	-	-	-	6,518,106
Vehicles	1,124,747	-	(140,770)	-	-	983,977
Freehold and leasehold improvements	34,387,249	46,291	(441,538)	1,927,377	-	35,919,379
	155,750,383	216,747	(2,340,248)	2,529,208	-	156,156,090
Accumulated depreciation	(62,728,445)	(6,208,741)	1,316,277	-	-	(67,620,909)
Allowance for impairment	(65,308)	-	-	-	-	(65,308)
	(62,793,753)	(6,208,741)	1,316,277	-	-	(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

Loss on disposal of property and equipment during the year amounted to LBP122million included in profit or loss (2020: Gain of LBP321million).

16. INTANGIBLE ASSETS

	Carrying Value January 1, 2021	Additions	Amortization for the Year	Transfer from Advance Payments Under Property and Equipment	Carrying Value December 31, 2021
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Computer software	4,643,521	145,571	(1,624,017)	-	3,165,075
	4,643,521	145,571	(1,624,017)	-	3,165,075

	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

17. OTHER ASSETS

	December 31, 2021	December 31, 2020
	LBP'000	LBP'000
Prepayments	6,129,430	6,959,853
Commission receivable	840,285	1,093,825
Sundry debtors (a)	26,673,076	18,488,237
Receivable from Central Bank of Lebanon	20,523,767	1,505,854
Regulatory blocked deposit (b)	4,500,000	4,500,000
Deferred tax liability on other comprehensive income	350,095	-
Fair valuation of forward exchange contracts	-	51,841
Accrued interest subsidy from Central Bank of Lebanon	70,000	600,000
	59,086,653	33,199,610

(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,	
	2021	2020
	LBP'000	LBP'000
Current deposits	2,028,822	1,997,045
Current deposits - subsidiaries	82,345,950	87,935,255
Short term deposits	952,213	1,214,487
Short term deposits from parent bank	67,000,000	100,729,196
Cash margins- subsidiaries	25,000	25,000
Accrued interest payable	2,434,626	3,677,941
	154,786,611	195,578,924

19. CUSTOMERS' ACCOUNTS

Customers' accounts at amortized cost are detailed as follows:

	December 31,	
	2021	2020
	LBP'000	LBP'000
Deposits:		
Current/demand deposits	1,433,898,902	1,188,787,506
Term deposits	2,704,235,654	3,304,609,567
Collateral against loans and advances	41,796,903	85,904,061
Margins and other accounts:		
Margins against import letters of credit	9,282	11,479
Margins against letters of guarantee issued	26,870,793	26,222,841
Other margins	1,253,951	1,635,941
Blocked accounts	10,376,177	16,045,450
Accrued interest payable	4,019,570	11,409,056
Total	4,222,461,232	4,634,625,901

Blocked accounts include balances amounting to LBP5.4billion (2020: LBP14.6billion) representing undisbursed loans to customers.

The above balances include deposits from related parties of LBP67billion (2020: LBP55billion).

Customers' deposits include related party deposits detailed as follows:

	December 31,	
	2021	2020
	LBP'000	LBP'000
Demand deposits	8,897,710	2,437,110
Term deposits	58,185,556	51,115,627
Collateral against loans and advances	79,144	204,643
Accrued interest payable	302,831	769,023
	67,465,241	54,526,403

Brackets of deposits were as follows:

	December 31, 2021				
	Local currency		Foreign currencies		
	Total Deposits	% to Total Deposits	Total Deposits	% to Total Deposits	Total
	LBP'000	%	LBP'000	%	LBP'000
Less than LBP250million	412,836,410	34	790,731,150	26	1,203,567,560
From LBP250million to LBP1.5billion	349,133,627	29	1,052,628,223	35	1,401,761,850
Above LBP1.5billion	456,441,656	37	1,160,690,166	39	1,617,131,822
	1,218,411,693	100	3,004,049,539	100	4,222,461,232

	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	34	1,385,499,754	41	1,810,535,474
	1,278,433,740	100	3,356,192,161	100	4,634,625,901

Deposits from customers include coded deposit accounts in the aggregate amount of LBP58billion as at December 31, 2021 (2020: LBP64billion). 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 nil fiduciary deposits received from residents and non-residents as at December 31, 2021 (2020: LBP16billion and LBPnil respectively).

20. OTHER BORROWINGS

	December 31,	
	2021	2020
	LBP'000	LBP'000
Soft loans from Central Bank of Lebanon (a)	4,103,030	7,116,443
Borrowings from Central Bank of Lebanon (b)	215,262,498	297,622,392
	219,365,528	304,738,835
Accrued interest payable	-	-
	219,365,528	304,738,835

(a) Outstanding facilities in Lebanese Pounds granted from the Central Bank of Lebanon in the amount of LBP4.1billion (LBP7.1billion as at December 31, 2020) 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 LBP215billion (2020: LBP298billion) 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:

	2021	2020
	LBP'000	LBP'000
Over 5 years	219,365,528	304,738,835
	219,365,528	304,738,835

The movement of borrowings was as follows:

	2021	2020
	LBP'000	LBP'000
Balance January 1	304,738,835	347,823,465
Additions	2,486,882	7,116,443
Settlements	(87,860,189)	(50,201,073)
Balance December 31	219,365,528	304,738,835

21. OTHER LIABILITIES

	December 31, 2021 LBP'000	December 31, 2020 LBP'000
Sundry accounts payable	15,313,680	26,622,882
Advance on sale of USB	17,719,717	-
Accrued expenses	23,036,850	16,353,577
Provision for tax – Article 20 of Law No. 6/2020	7,409	11,500,000
Provision for Income tax (a)	7,563,211	10,571,895
Withheld taxes and income tax payable	2,059,379	3,746,592
Deferred tax liability on accrued interest receivable	5,237,560	5,700,232
Deferred tax liability on other comprehensive income	-	230,187
Deferred tax liability	1,639,606	1,639,606
Payable to personnel and directors	4,105,813	4,940,320
Checks and incoming payment orders in course of settlement	1,411,147	1,868,234
Deferred income	870,993	947,417
Due to the National Social Security Fund	606,433	641,278
Fair valuation of forward exchange contracts	1,611	-
Blocked capital subscriptions for companies under incorporation	409,714	409,764
	79,983,123	85,171,984

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

	2021 LBP'000	2020 LBP'000
Loss before tax	(192,198,968)	(21,574,692)
Income tax on enacted applicable rates	-	7,415,506
Effect of non-deductible expense and non-taxable income	-	(1,015,506)
Income tax expense	-	6,400,000
Transfer between taxes	-	(1,200,000)
Unpaid prior year income tax	7,563,211	5,371,895
Other additional provisions/adjustments	-	-
Current tax liability	7,563,211	10,571,895

The movement of current tax liability was as follows:

	2021 LBP'000	2020 LBP'000
Balance January 1,	10,571,895	5,371,895
Charge for the year	-	6,400,000
Transfer from deferred tax assets	-	(1,200,000)
Settlements	(3,008,684)	-
Balance December 31	7,563,211	10,571,895

Provision for income tax includes provision for tax contingencies in the amount of LBP6.4billion that was recorded under "charge for the year" during the year 2020.

22. PROVISIONS

	December 31,	
	2021	2020
	LBP'000	LBP'000
Provision for end-of-service indemnity (a)	3,764,895	3,262,874
Provision for risk and charges (b)	28,745,657	8,082,440
Expected credit losses on commitments and financial guarantees	1,206,233	363,600
Provision for loss on foreign currency position	294,042	282,351
	34,010,827	11,991,265

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

	2021	2020
	LBP'000	LBP'000
Balance January 1	3,262,874	6,825,724
Additions/write-back - net (Notes 36-37)	863,052	(2,473,389)
Settlements	(361,031)	(1,089,461)
Balance December 31	3,764,895	3,262,874

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

	2021	2020
	LBP'000	LBP'000
Balance January 1	8,082,440	11,867,416
Additions/(write-back)	20,768,000	(3,315,000)
Settlements	-	(585,000)
Difference of exchange	(104,783)	115,024
Balance December 31	28,745,657	8,082,440

Provisions for risks and charges are mainly against tax contingencies.

23. SHARE CAPITAL

As at December 31, 2021 and 2020, the Bank's ordinary share capital consists of 214,000,000 shares of a par value of LBP1,000 each fully paid.

The Bank followed the requirements of Central Bank of Lebanon regarding the increase in 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) settled in 2021 by the shareholders.

24. PREFERRED SHARES

	Year of Issue	Number of Shares	Annual Return	December 31, 2021	December 31, 2020
	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, 2020	-	75,787,285
Effect of exchange rates changes	21,365,000	1,068,080
Balance December 31, 2020	21,365,000	76,855,365
Effect of exchange rates changes	-	(972,984)
Balance December 31, 2021	21,365,000	75,882,381

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, 2020	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
Reallocation of reserves	-	4,570,382	-	(4,570,382)	-
Balance - December 31, 2021	26,273,086	177,764,373	7,303,478	51,035,937	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 for the year 2020 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 2021 and 2020 to ordinary and preferred shares owners.

28. INTEREST INCOME

	2021		
	Interest Income	Withheld Tax	Total
	LBP'000	LBP'000	LBP'000
Interest income from:			
Loans and advances to customers	60,010,177	-	60,010,177
Deposits with Central Bank	102,196,908	(11,230,360)	90,966,548
Investment securities (excluding FVTPL)	98,147,326	(9,868,130)	88,279,196
Deposits with banks and financial institutions	12,818	-	12,818
Loan to a bank	19,103	(2,565)	16,538
Loans and advances to related parties	143,374	-	143,374
	260,529,706	(21,101,055)	239,428,651

	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

Interest income on investment securities:

	2021	2020
	LBP'000	LBP'000
Lebanese government bonds	(54,094)	1,544,831
Lebanese treasury bills	16,961,860	22,735,718
Certificates of deposit issued by Central Bank of Lebanon	81,193,864	86,053,983
Corporate bonds and asset backed securities	45,697	557,366
	98,147,327	110,891,898

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

	2021	2020
	LBP'000	LBP'000
Interest expense on:		
Customers' accounts at amortized cost	47,762,496	162,074,760
Deposits and borrowings from banks	269,787	15,084,572
Deposits and borrowings from Parent Bank and subsidiaries	8,291,933	5,587,746
Special loan from Central Bank of Lebanon	2,860,435	3,927,697
Customers' accounts - related parties	3,102,985	4,010,020
Lease liability	1,026,710	1,092,974
Other borrowings	-	3,530
	63,314,346	191,781,299

30. FEE AND COMMISSION INCOME

	2021	2020
	LBP'000	LBP'000
Commission income from:		
Fee income on customers' transactions	22,383,477	23,614,130
Fee income on loans and advances	9,566,220	7,461,828
Commission earned on insurance policies	1,356,589	1,708,931
Fee income on letters of guarantee	1,933,073	2,420,904
Fee income on documentary credits	124,487	638,491
Commission on transactions with banks	28,515	59,284
Commission on capital markets customers' transactions (Note 38)	272,443	167,496
Other	658,850	792,643
	36,323,654	36,863,707

31. FEE AND COMMISSION EXPENSE

	2021	2020
	LBP'000	LBP'000
Commission Expense on:		
Brokerage fees	333,964	591,284
Commission on transactions with banks and financial institutions	560,579	646,215
Other	414,972	781,940
	1,309,515	2,019,439

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

	2021	2020
	LBP'000	LBP'000
Lebanese government bonds (a)	12,748,281	13,169,545
Certificates of deposit issued by Central Bank of Lebanon (a)	1,773,285	9,630,833
Term placements with Central Bank of Lebanon	-	13,774,353
	14,521,566	36,574,731

(a) During 2021, the Bank sold certificates of deposits issued by the Central Bank of Lebanon and Lebanese government bonds with a nominal value of LBP50billion and LBP15billion respectively, classified at amortized cost, which resulted in losses of LBP1.7billion and LBP12.7billion respectively.

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

	2021	2020
	LBP'000	LBP'000
Shares	89,576	108,794
	89,576	108,794

During 2021, the Bank sold shares with a nominal value of LBP263million, classified at fair value through other comprehensive income, which resulted in net losses of LBP89million.

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 (LOSS)/ GAIN ON INVESTMENT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 LBP'000	2020 LBP'000
Interest income (net of withheld tax)	-	13,366
Dividends received	5,352	86,504
Net unrealized loss/gain	(184,030,219)	3,153,122
Net realized loss	-	(221,275)
	(184,024,867)	3,031,717

35. OTHER OPERATING EXPENSE

	2021 LBP'000	2020 LBP'000
Dividend income on investments at fair value through other comprehensive income	-	11,238
Multiplier factor costs (a)	(8,152,236)	(10,491,923)
Foreign exchange gain	(36,748,357)	1,565,513
Multiplier income	7,073,921	-
Miscellaneous	918,448	1,090,579
	(36,908,224)	(7,824,593)

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

36. STAFF COSTS

	2021 LBP'000	2020 LBP'000
Salaries	30,718,657	40,848,504
Board of Directors remunerations	947,947	1,086,679
Social security contributions	4,608,217	5,575,077
Provision for end-of-service indemnities (Note 22)	823,952	(2,473,389)
Termination costs	389,271	13,849,417
Bonus and other staff benefits	14,534,438	7,591,899
	52,022,482	66,478,187

37. GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
	LBP'000	LBP'000
Maintenance and repairs	9,237,688	7,417,560
Heat, light and power	5,622,982	784,659
Legal and professional fees	2,630,674	2,539,023
Credit card expenses	2,208,241	1,341,798
Fees and taxes	1,883,932	1,333,563
Electricity and water	1,678,710	996,303
Rent and building services	1,652,786	709,050
Subscriptions	1,175,136	1,925,916
Insurance	1,144,043	789,016
Public relations and entertainment	1,035,403	331,357
Cleaning	1,027,434	696,894
Telephone and postage	760,982	765,980
Security	722,282	468,088
Printing and stationary	535,531	323,765
Penalty fees	405,000	300
Advertising and publicity	233,152	358,276
Money transport	254,122	2,800,931
Donations	-	153,063
Travel	44,624	65,212
Software implementation fees	42,603	62,800
Miscellaneous expenses	3,760,328	1,308,753
	36,055,653	25,172,307

Legal and professional fees representing various services provided by the parent bank amounted to nil (LBP65 million during 2020)..

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, 2021 and 2020 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,	
	2021	2020
	LBP'000	LBP'000
Cash on hand (Note 5)	42,589,527	38,491,940
Current accounts with Central Bank of Lebanon (excluding compulsory deposits) (Note 5)	860,719,324	538,377,809
Term placements with Central Bank of Lebanon (with original maturity less than 3 month)	123,062,500	175,182,500
Current accounts with correspondents (Note 6)	43,115,960	23,228,066
Current accounts with related banks and financial institutions	648,976	4,981,288
Current accounts with the parent bank (Note 6)	5,729,108	4,956,943
Term placements with correspondents (with original maturity less than 3 month)	-	67,686,750
Total cash and cash equivalents	1,075,865,395	852,905,296

Major non-cash transactions excluded from the statement of cash flows for the years ended December 31, 2021 and 2020 are summarized as follows:

a. Negative change in fair value of investments as at fair value through other comprehensive income of LBP8billion and related deferred tax liability of LBP580million (Negative change in fair value of LBP12billion and related deferred tax liability of LBP1billion during 2020).

b. Transfer of LBP1.3billion from property and equipment to intangible assets in 2020.

c. Transfer from securities held at amortized cost and securities held at fair value through other comprehensive income to fair value through profit or loss in the amount of LBP226billion and LBP13billion respectively.

41. COLLATERAL GIVEN

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

	December 31,				
	2021				2020
		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	7,337,169	Facilities from Central Bank of Lebanon	7,943,789
Lebanese treasury bills	15,219,300	Revolving	230,730,949	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. 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), 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.
- Ensuring that the Bank risk appetite and limits are properly understood and duly approved by BOD
- 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.

Significant increase in credit risk

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.

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 has been intensified 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, 2021		
	Gross amounts	Allowance for expected credit losses	Net carrying amounts
	LBP'000	LBP'000	LBP'000
Deposits with Central Bank (Note 5)	2,368,517,755	(7,700,342)	2,360,817,413
Deposits with banks and financial institutions (Note 6)	50,308,786	(213,837)	50,094,949
Loan to a bank (Note 7)	704,766	(13,320)	691,446
Loans and advances to customers (Note 8)	1,137,513,485	(154,613,106)	982,900,379
Investment securities at amortized cost (Note 9)	1,671,511,622	(140,369,213)	1,531,142,409
Investment securities at fair value through other comprehensive income (Note 9)	39,415,318	(20,615,990)	18,799,328
Investment securities at fair value through profit or loss (Note 9)	53,727,295	-	53,727,295
Other assets	19,486,437	-	19,486,437
	5,341,185,464	(323,525,808)	5,017,659,656
Financial guarantees and other commitments	43,716,283	(1,206,233)	42,510,050

	December 31, 2020		
	Gross amounts	Allowance for expected credit losses	Net carrying amounts
	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

2. *Exposures subject to ECL*

	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Gross Exposures				
Central Bank of Lebanon	2,368,517,755	-	-	2,368,517,755
Banks and financial institutions	50,308,786	-	-	50,308,786
Loan to a bank	704,766	-	-	704,766
Loans and advances to customers	559,044,410	281,399,560	297,069,515	1,137,513,485
Financial assets at amortized cost	928,426,041	-	743,085,581	1,671,511,622
Financial assets at fair value through other comprehensive income	14,314,516	-	25,100,802	39,415,318
Commitments and financial guarantees	31,827,463	11,888,820	-	43,716,283
	3,953,143,737	293,288,380	1,065,255,898	5,311,688,015
Expected Credit Losses				
Central Bank of Lebanon	(7,700,342)	-	-	(7,700,342)
Banks and financial institutions	(213,837)	-	-	(213,837)
Loan to a bank	(13,320)	-	-	(13,320)
Loans and advances to customers	(5,954,861)	(24,215,482)	(124,442,763)	(154,613,106)
Financial assets at amortized cost	-	-	(140,369,213)	(140,369,213)
Financial assets at fair value through other comprehensive income	-	-	(20,615,990)	(20,615,990)
Commitments and financial guarantees	(255,284)	(950,949)	-	(1,206,233)
	(14,137,644)	(25,166,431)	(285,427,966)	(324,732,041)
Net Exposures				
Central Bank of Lebanon	2,360,817,413	-	-	2,360,817,413
Banks and financial institutions	50,094,949	-	-	50,094,949
Loan to a bank	691,446	-	-	691,446
Loans and advances to customers	553,089,549	257,184,078	172,626,752	982,900,379
Financial assets at amortized cost	928,426,041	-	602,716,368	1,531,142,409
Financial assets at fair value through other comprehensive income	14,314,516	-	4,484,812	18,799,328
Commitments and financial guarantees	31,572,179	10,937,871	-	42,510,050
	3,939,006,093	268,121,949	779,827,932	4,986,955,974

	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

3. *Movement of ECL*

	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
	LBP'000	LBP'000	LBP'000	LBP'000
At January 1, 2021				
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
Net charge for year				
Deposits with Central Bank of Lebanon	4,311,694	-	-	4,311,694
Deposits with banks and financial institutions	(1,238,784)	-	-	(1,238,784)
Loan to a bank	-	-	-	-
Loans and advances to customers	(15,136,139)	-	4,315,677	(10,820,462)
Financial assets at amortized cost	(14,831)	-	66,320,368	66,305,537
Financial assets at fair value through other comprehensive income	-	-	-	-
Customers' liability under acceptances	41	-	-	41
Commitments and financial guarantees	844,529	-	-	844,529
	(11,233,490)	-	70,636,045	59,402,555
Net transfers between stages				
Loans and advances to customers	(1,606,049)	1,591,028	(1,609,885)	(1,624,906)
Commitments and financial guarantees	(839,930)	839,930	-	-
	(2,445,979)	2,430,958	(1,609,885)	(1,624,906)
Other transfers				
Financial assets at amortized cost	(171,220)	(93,736,697)	74,049,233	(19,859,684)
Financial assets at fair value through other comprehensive income	-	(757,306)	20,615,990	19,858,684
	(171,220)	(94,494,003)	94,665,223	-
Recoveries and related to financial assets sold				
Customers' liability under acceptances	(41)	-	-	(41)
Commitments and financial guarantees	-	(1,896)	-	(1,896)
	(41)	(1,896)	-	(1,937)
Effect of exchange rates changes				
Deposits with Central Bank of Lebanon	(13,672)	-	-	(13,672)
Deposits with banks and financial institutions	11,210	-	-	11,210
Loan to a bank	(13,354)		-	(13,354)
Financial assets at fair value through other comprehensive income	-	-	(388)	(388)
Loans and advances to customers	710	-	-	710
	(15,106)	-	(388)	(15,494)
At December 31, 2021				
Central Bank of Lebanon	(7,700,342)	-	-	(7,700,342)
Banks and financial institutions	(213,837)	-	-	(213,837)
Loan to a bank	(13,320)	-	-	(13,320)
Loans and advances to customers	(5,954,861)	(24,215,482)	(124,442,763)	(154,613,106)
Financial assets at amortized cost	-	-	(140,369,213)	(140,369,213)
Financial assets at fair value through other comprehensive income	-	-	(20,615,990)	(20,615,990)
Commitments and financial guarantees	(255,284)	(950,949)	-	(1,206,233)
	(14,137,644)	(25,166,431)	(285,427,966)	(324,732,041)

	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
	LBP'000	LBP'000	LBP'000	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

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

	December 31,	
	2021	2020
	LBP'000	LBP'000
Corporate:		
Agriculture	22,337,008	32,657,159
Commerce	260,203,096	295,105,083
Construction and real estate	238,017,714	315,959,642
Individual	17,192,442	24,641,444
Industrial	49,393,665	76,982,890
Financial intermediaries	3,448,763	6,040,162
Services	31,295,179	52,828,886
	621,887,867	804,215,266
Retail loans	503,358,486	716,971,054
Accrued interest receivable	12,267,132	18,871,755
	1,137,513,485	1,540,058,075

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, 2021		
	Total balance	% to Total	Number of counterparties
Less than LBP5billion	22,714,042	45	56
From LBP5billion to LBP15billion	12,049,363	24	2
From LBP15billion to LBP30billion	15,545,381	31	1
	50,308,786	100	59

	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

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

	December 31, 2021		
	Carrying amount	% to total	Number of counterparties
	LBP'000	%	
Less than LBP500million	530,690,400	47	54,692
From LBP500million to LBP5billion	232,057,022	21	278
From LBP5billion to LBP15billion	129,673,829	12	16
Above LBP15billion	232,825,102	20	11
	1,125,246,353	100	54,997
Accrued interest receivable	12,267,132		
	1,137,513,485		

	December 31, 2020		
	Carrying amount	% to total	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		

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

	December 31, 2021			Carrying Values of Collaterals Received							
	Carrying Amount	Expected Credit Losses	Net Amount	Pledged Funds	Bank Guarantee	First and Second Degree Mortgage on Properties	Equity Securities	Debt Securities	Others	Total Guarantees	Lesser of Individual Exposure or Total Guarantees
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Performing - Stages 1 and 2	839,387,067	(30,170,380)	809,216,687	64,573,834	851,933	568,166,284	339,188	150,750	130,881,943	764,963,932	617,861,973
Substandard - Stage 3	115,658,409	(18,827,062)	96,831,347	34,059	-	73,806,774	-	-	3,420,559	77,261,392	74,990,551
Doubtful - Stage 3	139,370,335	(62,533,180)	76,837,155	68,176	-	107,451,645	-	-	5,786,510	113,306,331	111,237,383
Loss - Stage 3	43,097,674	(43,082,484)	15,190	53,926	-	378,902	-	-	15,139,151	15,571,979	10,868,345
	1,137,513,485	(154,613,106)	982,900,379	64,729,995	851,933	749,803,605	339,188	150,750	155,228,163	971,103,634	814,958,252

	December 31, 2020			Carrying Values of Collaterals Received							
	Carrying Amount	Expected Credit Losses	Net Amount	Pledged Funds	Bank Guarantee	First and Second Degree Mortgage on Properties	Equity Securities	Debt Securities	Others	Total Guarantees	Lesser of Individual Exposure or Total Guarantees
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	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

Overdue but not impaired loans as at December 31, 2021 and 2020 are as follows:

	2021	2020
	LBP'000	LBP'000
Between 60 and 90 days	29,242,437	32,049,447
Between 90 and 180 days	39,090,865	74,205,167
Between 180 and 360 days	46,550,170	90,737,449
Over 360 days	68,773,045	80,675,721
	183,656,517	277,667,784

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

	December 31, 2021					
	Lebanon	Middle East and Africa	North America	Europe	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
FINANCIAL ASSETS						
Cash and Central Bank	2,403,406,940	-	-	-	-	2,403,406,940
Deposits with banks and financial institutions	6,962,878	983,619	10,875,002	31,273,450	-	50,094,949
Loan to a bank	691,446	-	-	-	-	691,446
Investments at fair value through profit or loss	53,727,295	-	-	-	-	53,727,295
Loans and advances to customers	945,783,453	30,851,590	2,568,923	2,984,424	711,989	982,900,379
Investments at amortized cost	1,531,142,409	-	-	-	-	1,531,142,409
Investments at fair value through other comprehensive income	18,799,328	-	-	-	-	18,799,328
Total	4,960,513,749	31,835,209	13,443,925	34,257,874	711,989	5,040,762,746
FINANCIAL LIABILITIES						
Deposits from banks	86,031,631	133	-	68,754,847	-	154,786,611
Customers' accounts	3,516,783,237	469,726,638	71,469,277	120,248,528	44,233,552	4,222,461,232
Other borrowings	219,365,528	-	-	-	-	219,365,528
Lease liability	8,824,282	-	-	-	-	8,824,282
Total	3,831,004,678	469,726,771	71,469,277	189,003,375	44,233,552	4,605,437,653

	December 31, 2020					
	Lebanon	Middle East and Africa	North America	Europe	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	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	119,959,710	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	4,337,341,186	492,215,952	73,538,510	208,177,762	43,348,958	5,154,622,368

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 the 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.

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 Group. In Lebanon and since October 2019 events, the Group 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 to meet 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, 2021					
	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	117,505,379	37,281,232	-	-	-	154,786,611
Customers' accounts at amortized cost	3,384,598,399	797,000,203	40,335,086	527,544	-	4,222,461,232
Lease Liabilities	-	-	1,415,993	1,817,992	5,590,297	8,824,282
Other borrowings	173,558	34,717,844	14,609,960	1,797,630	168,066,536	219,365,528
	3,502,277,336	868,999,279	56,361,039	4,143,166	173,656,833	4,605,437,653

	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

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, 2021					
	LBP	USD	Euro	GBP	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS						
Cash and Central Bank	602,249,137	1,677,060,320	122,986,878	1,110,605	-	2,403,406,940
Deposits with banks and financial institutions	3,609,879	23,389,753	17,213,365	2,373,719	3,508,233	50,094,949
Loan to a bank	691,446	-	-	-	-	691,446
Investments at fair value through profit or loss	1,370,421	52,356,874	-	-	-	53,727,295
Loans and advances to customers	477,346,391	503,450,706	2,097,059	4,473	1,750	982,900,379
Investments at amortized cost	755,886,758	775,255,651	-	-	-	1,531,142,409
Investments at fair value through other comprehensive income	5,039,511	13,709,495	50,322	-	-	18,799,328
Investments in subsidiaries	7,661,510	-	88,951,830	-	-	96,613,340
Assets acquired in satisfaction of loans	10,918,928	51,468,785	-	-	-	62,387,713
Right-of-use assets	801,907	7,357,713	-	-	-	8,159,620
Property and equipment	84,597,026	-	-	-	-	84,597,026
Intangible assets	3,165,075	-	-	-	-	3,165,075
Other assets	52,244,042	6,821,221	4,034	14,306	3,050	59,086,653
Total Assets	2,005,582,031	3,110,870,518	231,303,488	3,503,103	3,513,033	5,354,772,173
LIABILITIES						
Deposits from banks and financial institutions	83,462,441	2,751,507	68,572,663	-	-	154,786,611
Customers' accounts	1,218,411,689	2,823,248,962	174,016,415	3,417,312	3,366,854	4,222,461,232
Other borrowings	208,165,409	11,200,119	-	-	-	219,365,528
Lease liablity	913,791	7,910,491	-	-	-	8,824,282
Other liabilities	53,029,392	11,477,143	15,465,556	124	10,908	79,983,123
Provisions	31,058,566	1,761,196	1,191,065	-	-	34,010,827
Total Liabilities	1,595,041,288	2,858,349,418	259,245,699	3,417,436	3,377,762	4,719,431,603
Currency to be delivered	-	-	-	-	-	-
Currency to be received	-	-	-	-	-	-
	-	-	-	-	-	-
Net Assets	410,540,743	252,521,100	(27,942,211)	85,667	135,271	635,340,570

	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

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, 2021			
	LBP	Onshore Foreign Currencies	Offshore Foreign Currencies	Total
	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS				
Cash and Central Bank	602,249,135	1,787,936,774	13,221,031	2,403,406,940
Deposits with banks and Financial institutions	3,609,878	3,422,395	43,062,676	50,094,949
Loan to a bank	691,446	-	-	691,446
Investments at fair value through profit or loss	1,370,421	52,356,874	-	53,727,295
Loans and advances to customers	477,346,253	490,990,475	14,563,651	982,900,379
Investments at amortized cost	755,886,758	775,255,651	-	1,531,142,409
Investments at fair value through other comprehensive income	5,039,511	13,759,817	-	18,799,328
Investments in subsidiaries	7,661,510	-	88,951,830	96,613,340
Assets acquired in satisfaction of loans	10,918,927	51,468,786	-	62,387,713
Right-of-use assets	801,907	7,357,713	-	8,159,620
Property and equipment	84,597,026	-	-	84,597,026
Intangible assets	3,165,075	-	-	3,165,075
Other assets	52,222,391	6,864,262	-	59,086,653
Total Assets	2,005,560,238	3,189,412,747	159,799,188	5,354,772,173
LIABILITIES				
Deposits from banks and financial institutions	83,462,439	2,569,193	68,754,979	154,786,611
Customers' accounts	1,218,411,693	2,423,308,623	580,740,916	4,222,461,232
Other borrowings	208,165,408	11,200,120	-	219,365,528
Lease liability	913,791	7,910,491	-	8,824,282
Other liabilities	53,225,403	26,725,791	31,929	79,983,123
Provisions	31,058,567	2,952,260	-	34,010,827
Total Liabilities	1,595,237,301	2,474,666,478	649,527,824	4,719,431,603
Currency to be received	-	-	-	-
Currency to be delivered	-	-	-	-
	-	-	-	-
Net assets	410,322,937	714,746,269	(489,728,636)	635,340,570

	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

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	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
		December 31, 2021						
	%	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
FINANCIAL ASSETS								
Cash and Central Bank		1,396,729,903	10,000,000	220,991,529	65,449,375	80,738,000	629,498,133	2,403,406,940
Deposits with banks and financial institutions		-	50,094,949	-	-	-	-	50,094,949
Loan to a bank		4,694	-	686,752	-	-	-	691,446
Investment securities at fair value through profit or loss		13,177,189	-	40,550,106	-	-	-	53,727,295
Loans and advances to customers		173,683,687	155,394,229	96,768,195	146,123,129	77,352,484	333,578,655	982,900,379
Investment securities at amortized cost		798,722,982	50,090,000	35,982,362	10,828,474	19,964,175	615,554,416	1,531,142,409
Investment securities at fair value through other comprehensive income		15,406,689	-	935,980	2,456,659	-	-	18,799,328
		2,397,725,144	265,579,178	395,914,924	224,857,637	178,054,659	1,578,631,204	5,040,762,746
FINANCIAL LIABILITIES								
Deposits from banks and financial institutions		6,845,713	110,940,900	36,999,998	-	-	-	154,786,611
Customer's deposits and credit balances		4,195,061	3,981,959,467	196,515,382	39,263,778	527,544		4,222,461,232
Other borrowings		5,836,340	-	205,703,358	-	5,885,830	1,940,000	219,365,528
Lease Liability		-	-	-	1,415,993	1,817,992	5,590,297	8,824,282
		16,877,114	4,092,900,367	439,218,738	40,679,771	8,231,366	7,530,297	4,605,437,653

	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		14,512,647	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 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

Provisions for risk and charges includes provisions against tax contingencies, litigations and claims whereby the Bank is defendant in several lawsuits.

The Bank's tax returns for the years 2015 till 2021 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.

On June 7, 2021 a decision was taken by the Execution court in Metn to apply a conservative seizure on the Bank's movable assets in some of its branches as one of the customers has filed a lawsuit against the Bank for an amount of USD1.4million and EUR259. The Bank has filed an opposition against the decision on November 1, 2021 which is still pending before the court and also requested to move the conservatory seizure in counterpart of depositing a bankers check in LBPamounting to LBP2.4billion on December 6, 2021 but has been rejected by the court on April 11, 2022.The advance payment was recorded under "sundry debtors" (Note 17).

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, 2021			
Minimum required capital ratios	4.5	6	8.00
With the full capital conservation buffer of 2.5%	7.00	8.50	10.50
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

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, 2021: - 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) settled in 2021.
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, 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. Also, banks are prohibited from distributing dividends on common shares for the years 2020 and 2021.	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 LBP47.146billion and increased by LBP3.573billion as at December 31, 2021 compared to December 31, 2020.

The Bank's capital adequacy ratio was as follows:

	December 31,	
	2021	2020
	LBPMillion	LBPMillion
Common Equity Tier I	518,868	663,677
Additional Tier I capital	152,787	152,787
	671,655	816,464
Tier II capital	7,924	3,998
Total regulatory capital	679,579	820,462
Credit risk	3,758,205	4,698,985
Market risk	105,796	27,616
Operational risk	317,313	316,351
Risk-weighted assets and risk-weighted off-balance sheet items	4,181,314	5,042,952
Equity Tier I ratio	12.41%	13.16%
Tier I capital ratio	16.06%	16.19%
Risk based capital ratio - Tier I and Tier II capital	16.25%	16.27%

The Bank's capital adequacy ratio as at December 31, 2021 and 2020, 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:

	2021 LBP'000	2020 LBP'000
Deposits with banks	6,261,042	77,624,981
Loans and advances to key management personnel	3,658,599	5,185,619
Deposits from banks	151,805,575	188,689,451
Customers' deposits	61,976,359	54,526,403

Remuneration to executive management paid during 2021 amounted to LBP0.9billion (LBP1.2billion in 2020).

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2021 were approved by the Board of Directors in its meeting held on July 7, 2022.