BANQUE BEMO S.A.L.

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

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TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders
Banque Bemo S.A.L.
Beirut, Lebanon

Adverse Opinion

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

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

Basis for Adverse Opinion

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

2. Note 1 to the 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 Note 1 to the consolidated financial statements.

   The audit evidence available to us to confirm the appropriateness of preparing the consolidated financial statements on a going concern basis was limited due to the severity of the uncertainties noted above as applicable to the Group 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 Group'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 consolidated financial statements should this basis be inappropriate, could result in the Group being unable to realize its assets and discharge its liabilities in the normal course of business. The consolidated financial statements do not adequately disclose this fact. Our opinion on the Group's consolidated financial statements for the year ended December 31, 2019 was also modified in respect of this matter.

3. Cash and deposits with Central Banks, which are carried in the consolidated statement of financial position at LBP2,220billion, include deposits with the Central Bank of Lebanon of LBP2,095billion. Investment securities, which are carried in the consolidated statement of financial position at LBP 431billion, include Lebanese government debt securities and certificates of deposits issued by the Central Bank of Lebanon of LBP138billion and LBP265billion respectively. Management has not stated deposits with the Central Bank of Lebanon, Lebanese government debt securities and certificates of deposits issued by the Central Bank of Lebanon 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 deposits with Central Bank of Lebanon denominated in foreign currencies, Lebanese government debt securities and certificates of deposits denominated in U.S.Dollars issued by the Central Bank of Lebanon.

4. Deposits with banks and financial institutions, which are carried in the consolidated statement of financial position at LBP108billion, include deposits with local banks of LBP29billion (2019: LBP57billion). Investment securities, which are carried in the consolidated statement of financial position at LBP431billion includes investment debt securities originated by the Lebanese private sector of LBP4billion (2019: LBP20.3billion). Management has not stated deposits with local banks and investment debt securities originated by the Lebanese private sector 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.

5. Financial assets at fair value through profit or loss, which are carried in the consolidated statement of financial position at LBP11billion include Lebanese treasury bills, Lebanese government debt securities, shares and corporate bonds domiciled in the Republic of Lebanon of LBP240million, LBP22million and LBP10billion respectively (2019: LBP240million, LBP72.5million, LBP9.9billion respectively). Investment securities, which are carried in the consolidated statement of financial position at LBP431billion, include financial assets at fair value through other comprehensive income of LBP667million domiciled in the Republic of Lebanon (2019: LBP4.8billion of financial assets at fair value through other comprehensive income domiciled in the Republic of Lebanon and LBP31.8billion of Lebanese government debt and certificates of deposit denominated in USD issued by the Central Bank of 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 this amount. Our opinion in the prior year was also modified in respect of this matter.

6. Note 48 of the financial statements discloses the fair value of the Group's financial assets and financial liabilities measure at amortized cost. The inputs used by Management to determine the fair value of the Group's financial assets and financial liabilities disclosed in this note are not indicative of economic reality and market conditions existing at the reporting date, which constitutes a departure from IFRSs. We were unable to determine the adjustments necessary to the amounts disclosed in note 48.

7. Loans and advances to customers and related parties which are carried in the consolidated statement of financial position at LBP595billion represent loans and advances where the credit risk is predominantly concentrated in Lebanon and is affected as a result of the monetary and economic crisis that the country is facing since the last quarter of 2019. Certain loans and advances have not been stated net of an allowance for expected credit losses which takes into account all circumstances and available information at the reporting date, which constitutes a departure from IFRSs. Our opinion in the prior year was also modified in respect of this matter.

8. Investment securities, which are carried in the statement of financial position at LBP431billion, includes an investment at fair value through other comprehensive income of LBP18billion which had previously been classified as an investment in associate. Management did not measure the investment at its fair value at the date of its reclassification to an investment at fair value through other comprehensive income and has not stated the investment at fair value at the reporting date but has stated it at its carrying amount as at December 31, 2019 using the equity method of accounting, which constitutes a departure from IFRSs. We were unable to determine the adjustments necessary to this amount.

9. Cumulative change in fair value of investment securities is carried in the statement of financial position at LBP7billion. Management has stated cumulative changes in fair value of investment at a portion of a previously recognized regulatory deferred liability and not at the difference between the fair value of investments through other comprehensive income and the cost of those investments, which constitutes a departure from IFRSs. The Bank's records indicate that had management stated the cumulative change in fair value of investment securities at the difference between the fair value of investments through other comprehensive income and the cost of those investments, an amount of LBP7billion would have been required to reduce cumulative change in fair value of investment securities. Accordingly, retained earnings would have been increased by LBP 7 billion.

10. Investment securities, which are carried in the statement of financial position at LBP431billion, includes Lebanese Government Bonds and Certificates of Deposits issued by the Central Bank of Lebanon of LBP17billion and LBP46billion respectively. Note 10 to the consolidated financial statements discloses that the Lebanese Government Bonds and Certificates of Deposits issued by the Central Bank of Lebanon have been transferred from financial assets at fair value through other comprehensive income to financial assets at amortized cost. Management has implemented a decision taken subsequent to the reporting date to reclassify Lebanese Government Bonds and Certificates of Deposits issued by the Central Bank of Lebanon from financial assets at fair value through other comprehensive income to financial assets at amortized cost, which constitutes a departure from IFRSs. Had management not implemented the aforementioned decision taken subsequent to the reporting date, the disclosure in note 10 to the financial statements would not have reflected this transfer and the Lebanese Government Bonds and Certificates of Deposits issued by the Central Bank of Lebanon would have been measured at fair value and not at amortized cost. We were unable to determine the adjustments necessary to these amounts.

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 Financial Statements section of our report. We are independent of the Group in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* (IESBA Code) together with the Code of Ethics of the Lebanese Association of Certified Public Accountants that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Emphasis of Matter

We draw attention to:

Note 1 of the consolidated financial statements, which describes that the Group's assets and liabilities denominated in foreign currencies are translated to Lebanese Pounds in accordance with the accounting policy on foreign currency transactions detailed in note 3 of the financial statements i.e. at the official exchange rate prevailing at the end of the reporting period and that the realization of these assets and the settlement of these liabilities, could be materially different. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. Except for the matters described in the '*Basis for adverse opinion*' section of our report, we have determined that there are no other key audit matters to communicate in our report.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Beirut, Lebanon September 15, 2021	DFK Fiduciaire du Moyen Orient	Deloitte & Touche

BANQUE BEMO S.A.L.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	December 31, 2020 LBP'000	December 31, 2019 LBP'000
Cash and deposits with central banks	5	2,219,931,948	931,979,199
Deposits with banks and financial institutions	6	108,444,168	143,730,871
Financial assets at fair value through profit or loss	7	10,881,435	70,528,075
Loans and advances to customers and related parties	9	595,021,738	807,146,836
Investment securities	10	430,655,222	461,426,158
Customers' liability under acceptances	11	11,557,983	20,275,850
Investments in an associate	13	-	23,974,070
Assets acquired in satisfaction of loans	14	2,907,009	4,221,423
Property and equipment	15	77,295,897	75,646,659
Right-of-use assets	8	1,963,010	3,182,393
Intangible assets	16	709,660	729,135
Other assets	17	25,527,076	17,470,655
Total Assets		3,484,895,146	2,560,311,324
Documentary and commercial letters of credit	40	308,913	4,632,966
Guarantees and standby letters of credit	40	47,915,113	70,852,154
Forward exchange contracts	40	277,074,262	295,878,599
FIDUCIARY DEPOSITS	41	11,333,877	32,439,095

THE ACCOMPANYING NOTES 1 TO 50 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

BANQUE BEMO S.A.L.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

LIABILITIES	Notes	December 31, 2020 LBP'000	December 31, 2019 LBP'000
Deposits and borrowings from banks and financial institutions	18	411,367,297	332,638,121
Customers and related parties accounts at amortized cost	19	2,602,624,632	1,829,354,951
Liability under acceptances	11	11,584,624	20,323,049
Other term borrowings	20	21,886,586	13,391,505
Lease liability	8	2,446,066	3,066,667
Other liabilities	21	43,236,375	18,779,484
Provisions	22	4,886,130	5,315,454
		3,098,031,710	2,222,869,231
Subordinated bonds	23	91,589,918	90,450,000
Total liabilities		3,189,621,628	2,313,319,231
EQUITY			
Share capital	24	77,810,000	77,810,000
Treasury shares	24	(3,654,740)	(3,679,126)
Preferred shares	25	52,641,854	52,641,854
Shareholders' cash contribution to capital	26	50,767,759	29,104,984
Reserves	27	70,623,239	70,440,239
Retained earnings		21,286,200	47,889,535
Currency translation adjustment	13	-	520,277
Revaluation surplus (net)	15	16,914,064	16,914,064
Cumulative change in fair value of investment securities (net)	10,13	7,232,339	(32,297,405)
Profit/(loss) for the year		1,652,337	(12,352,792)
Equity attributable to the shareholders of the bank		295,273,052	246,991,630
Non-controlling interests		466	463
Total equity		295,273,518	246,992,093
Total Liabilities and Equity		3,484,895,146	2,560,311,324

THE ACCOMPANYING NOTES 1 TO 50 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

BANQUE BEMO S.A.L.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Year Ended December 31, 2020 LBP'000	2019 LBP'000
Interest income	30	139,677,865	191,718,322
Less: Tax on interest	30	(10,677,089)	(8,450,824)
Interest income (net of tax)		129,000,776	183,267,498
Interest expense	31	(65,934,689)	(122,927,755)
Net interest income		63,066,087	60,339,743
Fee and commission income	32	20,353,748	9,229,775
Fee and commission expense	33	(776,847)	(325,172)
Net fee and commission income		19,576,901	8,904,603
Net interest and other gains on financial assets at fair value through profit or loss	34	628,570	2,319,982
Gain on exchange		655,813	4,739,217
Other operating income, (net)	35	6,111,074	2,721,425
Net financial revenues		90,038,445	79,024,970
Provisions for expected credit losses (net)	36	(32,967,177)	(47,724,867)
Net financial revenues after allowance for expected credit losses		57,071,268	31,300,103
Staff costs	37	(27,426,027)	(21,865,931)
Administrative expenses	38	(16,205,119)	(15,184,238)
Tax on revenues	21	(4,115,000)	-
Depreciation and amortization	15,16	(2,500,216)	(2,628,489)
Depreciation of right-of-use assets	8	(1,280,018)	(1,279,629)
Other (expense)/income , net	22	1,843,724	(181,639)
		(49,682,656)	(41,139,926)
Profit/(loss) before income tax		7,388,612	(9,839,823)
Income tax expense	21	(5,736,272)	(2,512,919)
Profit/(loss) for the year		1,652,340	(12,352,742)
Attributable to:			
Equity holders of the Group		1,652,337	(12,352,792)
Non-controlling interests		3	50
	28	1,652,340	(12,352,742)
Basic and diluted earning per shares	39	21/69	-

THE ACCOMPANYING NOTES 1 TO 50 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

BANQUE BEMO S.A.L.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year Ended December 31, 2020 LBP'000	2019 LBP'000
Profit/(loss) for the year		1,652,340	(12,352,742)
Other comprehensive income ("OCI"):			
Items that may be reclassified subsequently to profit or loss:			
Gain arising from currency translation adjustment	13	-	41,016
Change in fair value of investment securities	10 B, 13	-	(22,742,717)
Transfer from deferred Liability		7,232,339	-
Net other comprehensive loss for the year		7,232,339	(22,701,701)
Total comprehensive income/(loss) for the year		8,884,679	(35,054,443)
Attributable to:			
Equity holders of the Group		8,884,676	(35,054,493)
Non-controlling interests		3	50
		8,884,679	(35,054,443)

THE ACCOMPANYING NOTES 1 TO 50 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

BANQUE BEMO S.A.L.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity Attributable to the Bank												
	Share Capital LBP'000	Treasury Shares LBP'000	Preferred Shares LBP'000	Shareholders' Cash Contribution to Capital LBP'000	Legal and Other Reserves LBP'000	Revaluation Real Estate LBP'000	Currency Translation Adjustment LBP'000	Change in Fair Value of Investment Securities LBP'000	Retained Earnings LBP'000	(Loss)/ Profit for the Year LBP'000	Total LBP'000	Non-Controlling Interest LBP'000	Total LBP'000
Balance at January 1, 2019	62,248,000	(3,619,239)	52,641,854	29,104,984	62,635,782	16,942,104	479,261	(9,554,688)	46,974,064	28,439,048	286,291,170	413	286,291,583
Capital increase (Note 24)	15,562,000	-	-	-	-	-	-	-	(15,562,000)	-	-	-	-
Total comprehensive loss	-	-	-	-	-	-	41,016	(22,742,717)	-	(12,352,792)	(35,054,493)	50	(35,054,443)
Allocation of income for the year 2018	-	-	-	-	7,804,457	(28,040)	-	-	20,662,631	(28,439,048)	-	-	-
Dividends paid (Note 29)	-	-	-	-	-	-	-	-	(3,693,375)	-	(3,693,375)	-	(3,693,375)
Acquisition of treasury shares (net) (Note 24)	-	(59,887)	-	-	-	-	-	-	-	-	(59,887)	-	(59,887)
Other adjustments	-	-	-	-	-	-	-	-	(33,994)	-	(33,994)	-	(33,994)
Others – Investment in an associate (Note 12)	-	-	-	-	-	-	-	-	(457,791)	-	(457,791)	-	(457,791)
Balance at December 31, 2019	77,810,000	(3,679,126)	52,641,854	29,104,984	70,440,239	16,914,064	520,277	(32,297,405)	47,889,535	(12,352,792)	246,991,630	463	246,992,093
Cash contribution to capital (Notes 19 &26)	-	-	-	21,662,775	-	-	-	-	-	-	21,662,775	-	21,662,775
Total comprehensive income 2020	-	-	-	-	-	-	-	-	-	1,652,337	1,652,337	3	1,652,340
Allocation of income for the year 2019	-	-	-	-	183,000	-	-	-	(12,535,792)	12,352,792	-	-	-
Acquisition of treasury shares (net)	-	24,386	-	-	-	-	-	-	-	-	24,386	-	24,386
Reversal of accumulated change in fair value of financial assets at other comprehensive income (Note 10)	-	-	-	-	-	-	-	30,768,813	-	-	30,768,813	-	30,768,813
Loss of significant influence of the Group over the associate (Note 13)	-	-	-	-	-	-	-	-	(23,890,169)	-	(23,890,169)	-	(23,890,169)
Reversal of currency translation adjustment (Note 13)	-	-	-	-	-	-	23,587,519	-	-	-	23,587,519	-	23,587,519
Reversal of change in fair value of investment securities held by the former associate (Note 13)	-	-	-	-	-	-	-	1,528,592	-	-	1,528,592	-	1,528,592
Reversal of regulatory deferred liability (Note 21)	-	-	-	-	-	-	(24,107,796)	7,232,339	16,875,457	-	-	-	-
Reversal of provision for impairment of investment in an associate (Note 13)	-	-	-	-	-	-	-	-	(7,052,831)	-	(7,052,831)	-	(7,052,831)
Balance at December 31, 2020	77,810,000	(3,654,740)	52,641,854	50,767,759	70,623,239	16,914,064	-	7,232,339	21,286,200	1,652,337	295,273,052	466	295,273,518

THE ACCOMPANYING NOTES 1 TO 50 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

BANQUE BEMO S.A.L.
CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year Ended December 31, 2020 LBP'000	2019 LBP'000
Cash flows from operating activities:			
Profit/(loss) before tax		7,388,612	(9,839,823)
Adjustments for:			
Depreciation and amortization	15,16	2,500,216	2,628,489
Depreciation right of use	8	1,280,018	1,279,629
Other movements		-	(34,025)
Interest expense – Finance lease liability	8	195,027	288,945
Provision for contingencies	22	625,613	196,585
Write back of provision for contingencies	22	(2,229,825)	(393,288)
Assets acquired in satisfaction of loans	14	1,314,414	(1,314,414)
Provision for expected credit losses, (net)	36	32,967,177	47,724,867
Non-controlling interests		-	50
Provision/(write-back of provision) for employees' end-of-service indemnities	22	1,275,399	(864,354)
Unrealized loss on financial assets at fair value through profit or loss	34	(596,152)	25,047
Equity income from investment in associates	13	-	(2,026,661)
Gain from sale of property and equipment		2,987	2,987
Increase in deposits with central banks, banks and financial institutions		64,319,807	35,440,205
Decrease in loans to banks and financial institutions		-	7,627,631
(Decrease)/increase in investment securities at fair value through profit or loss		60,242,792	(22,906,117)
Decrease in investment securities		74,569,568	10,404,762
Decrease in loans and advances to customers and related parties		186,246,049	267,651,452
Net decrease/(increase) in other assets		(8,319,170)	1,109,389
(Decrease)/increase in non-interest earning compulsory reserve		(15,608,033)	(2,174,657)
Increase in due to banks and financial institutions		78,729,176	86,272,353
Increase/(decrease) in other borrowings		8,495,081	(2,323,989)
Decrease in customers' and related parties ' deposits at amortized cost		773,269,681	(141,547,251)
Net increase in other liabilities		21,735,376	5,433,133
Net decrease in provisions		-	(31,926)
Settlement of employees' end-of-service indemnity		(148,437)	(354,883)
Taxes paid		(2,512,919)	(5,362,231)
Net cash generated by/(used in) operating activities		1,285,742,457	276,911,905
Cash flows from investing activities:			
Acquisition of treasury shares (net)		24,386	(59,887)
Acquisition of property and equipment	15	(4,160,778)	(17,364,289)
Proceeds from sale of property and equipment		354,535	12,074
Intangible assets	16	(326,723)	(115,109)
Net cash used in investing activities		(4,108,580)	(17,527,211)
Cash flows from financing activities:			
Dividends paid	29	-	(3,693,375)
Settlement of lease liability	8	(860,646)	(1,684,300)
Shareholders' cash contribution to capital		21,662,775	-
Subordinated bonds	23	1,139,918	(5,073,886)
Net cash (generated by)/used in financing activities		21,942,047	(10,451,561)
Net increase/(decrease) in cash and cash equivalents		1,303,575,924	248,933,133
Cash and cash equivalents - Beginning of year	43	427,219,778	178,286,645
Cash and cash equivalents - End of year	43	1,730,795,702	427,219,778

THE ACCOMPANYING NOTES 1 TO 50 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Banque Bemo S.A.L. (the "Bank") is a Lebanese joint-stock company listed on the Beirut Stock Exchange and registered in the Commercial Register under Number 17837 and on the list of banks published by the Central Bank of Lebanon under Number 93. The Bank's headquarters are located in Beirut.

The Bank provides a full range of commercial, corporate and private banking activities through a network of 6 branches in Lebanon in addition to a branch in Limassol, Cyprus.

Banque Bemo S.A.L. is owned by Sharikat AL Istismarat Al Oropia Lil Shareq Al Aousat (Holding) S.A.L. to the extent of 61.06%.

These financial statements comprise the financial statements of the Bank and its subsidiaries (collectively referred to as the "Group") Refer to Note 3(A).

1.1 The Macro Economic Environment

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

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

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

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

- Official exchange rate (1507.5 LBP/USD): currently maintained in banking transactions and providing foreign currency for the import of fuel oil, wheat, medicine and medical equipment.

- Platform rate - Sayrafa (currently at 3,900 LBP/USD): currently maintained to provide foreign currency for the import of essential food items and raw materials used in food industries. Also, this rate is currently used for LBP cash withdrawals in small amounts, from foreign currency deposits accounts, based on limits set by banks separately.

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

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

1.2 Central Bank of Lebanon policy initiatives

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

<u>Regulatory framework:</u>

- *Intermediate Circular 567:*
  - BDL licensees should apply the following minimum regulatory expected credit loss ("ECL") ratios, while permitting banks to constitute progressively those ECLs over a period of five years (starting from 2020). The BDL Central Council may consider the extension of the period to 10 years, for banks that manage to complete the 20% cash contribution to capital requirement:

    Foreign currency placements with BDL, including certificates of deposits: 1.89%

    Local currency deposits with BDL: 0%

    Lebanese government bonds in foreign currencies: 45%

    Lebanese treasury bills in local currency: 0%

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

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

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

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

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

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

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

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

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

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

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

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

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

Monetary and exchange rate policies and socio-economic support:

- *Intermediate Circular 536*: Stipulates the following measures:

  - Interest earned on by banks on USD Certificates of Deposits issued by BDL, are received 50%-50% in USD and LBP respectively. Similarly, interest on customers deposits denominated in foreign currencies are paid 50%-50% in the account currency and LBP respectively.

  - Banks should comply with interest rate ceilings on customer deposits capped at 5% and 8.5% on foreign currency and LBP denominated deposits respectively.

  - The Beirut Reference Rates (BRR) should reflect the lower deposit rates.

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

- *Basic Circulars 148 and 151 and Intermediate Circulars 549 and 565* allowing withdrawals of pre-crisis customers' deposits foreign currency accounts at the BDL platform rate subject to limits set by banks (currently at the rate of LBP3,900 to the USD).

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

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

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

1.3 The Group's Financial particulars

The Group's monetary assets and liabilities in foreign currency, were converted in Lebanese Pound at the official exchange rate peg of USD1 = LBP1,507.5 which is the rate that Lebanese banks and other regulated entities are legally required to use. As the official exchange rate significantly deviated from the exchange rates in the parallel markets, the valuation of assets and liabilities in foreign currencies at a different rate is expected to significantly impact the Group's financial statements once the regulatory authorities adopt a free-floating exchange rate policy or implement a new legal exchange mechanism. Foreign currency mismatch is detailed in Note 47(C) to these consolidated financial statements.

As at December 31, 2020, the Group's net credit exposure to Lebanese sovereign debt, including BDL, represented 55.85% of total consolidated assets (2019: 55.4%).

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 Group'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 consolidated 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 consolidated financial statements. The basis of the loss allowances recognized by the Group against BDL and sovereign exposures is described under Note 47.

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 Group'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 Group's financial position.

Fair values of financial assets originated in Lebanon have been determined by the Group 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 Group did not disclose the fair value of financial assets and financial liabilities measured at amortized cost as required by IFRS 13 *Fair Value Measurements*.

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

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

The Group'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 45 to these consolidated financial statements, the Group's capital adequacy ratio as at December 31, 2020 and 2019, similarly to other applicable regulatory ratios, was calculated based on the disclosed figures, and did not take into consideration the adjustments that will result from the uncertainties reflected above once these uncertainties become reasonably quantifiable.

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

2.1 New and amended IFRS that effective for the current year

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- *IFRS 17 Insurance Contracts:* IFRS 17 supersedes IFRS 4 *Insurance Contracts* as at January 1, 2023.
  Effective for annual periods beginning on or after January 1, 2023.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The consolidated financial statements are presented in Lebanese Pound (LBP) which is the Group's presentation and functional currency. All values are rounded to the nearest thousands, except when indicated otherwise.

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Financial assets and liabilities at fair value through profit or loss are measured at fair value.
- Equity securities at fair value through other comprehensive income are measured at fair value.
- Derivative financial instruments are measured at fair value.
- 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.

Assets and liabilities are grouped according to their nature and presented in the consolidated statement of financial position in an approximate order that reflects their relative liquidity.

Hyperinflation in Lebanon

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

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

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

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

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

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

The Group 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.

The principal accounting policies adopted are set out below:

A. Basis of Consolidation:

The consolidated financial statements of Banque Bemo S.A.L. incorporate the financial statements of the Bank and the entities controlled by the Bank and its subsidiaries.

Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned directly or indirectly by the Bank. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The consolidated subsidiaries as at December 31, 2020 comprise:

Company	Country of Incorporation	Date of Acquisition or Incorporation	Percentage of Ownership	Business Activities
			%	
Bemo Securitization S.A.L.	Lebanon	1998	96.00	Securitization & Structured Finance
Depository & Custody Company S.A.L.	Lebanon	2007	99.90	Depository and custody of securities
Bemo Investment Firm Ltd.	Dubai	2013	100	Investment

B. Business Combinations:

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs other than those associated with the issue of debt or equity securities are generally recognized in profit or loss as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. When the excess is negative the group re-assess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, these the gain is recognized in profit or loss.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries and associates are identified separately from the Group's equity therein.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

C. Foreign Currencies:

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's reporting 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 official 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.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into U.S. Dollars using official exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average official exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the official exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

Cash flows provided by and used in foreign currencies under various activities, as included in the statement of cash flows, are converted into Lebanese Pounds at year-end exchange rates, except for cash and cash equivalents at the beginning of the year which is converted at the prior year closing exchange rates and the effect of currency fluctuation, if any, is disclosed separately.

D. Financial Instruments:

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

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue 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 recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Group 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 recognised 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 1 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.

E. Financial Assets:

All financial assets are recognised and derecognised 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 recognised immediately in profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised 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 amortised 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 Group may make the following irrevocable election / designation at initial recognition of a financial asset on an asset-by-asset basis:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; and

- The Group may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Debt instruments at amortised cost or at FVTOCI

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

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group'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 derecognised, the cumulative gain/loss previously recognised 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 recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

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

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

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

Financial assets at FVTPL

Financial assets at FVTPL are:

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

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

Reclassifications

If the business model under which the Group 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 Group's financial assets.

Impairment

The Group recognises loss allowances for ECLs 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 recognised 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 Group under the contract and the cash flows that the Group 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 Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down; and

- for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

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

Credit-impaired financial assets

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

- significant financial difficulty of the borrower or issuer;

- a breach of contract such as a default or past due event;

- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

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

Purchased or originated credit-impaired (POCI) financial assets

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

Definition of default

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

The Group 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 Group; or
- the borrower is unlikely to pay its credit obligations to the Group in full.
- It is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group'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 Group assesses whether this modification results in derecognition. In accordance with the Group's policy a modification results in derecognition when it gives rise to substantially different terms.

The Group derecognises 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised 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 recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised 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 Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises 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 recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised 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 recognised 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 Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the 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 Group. 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 Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group 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 Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group'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 amortised cost: as a deduction from the gross carrying amount of the assets;

- for debt instruments measured at FVTOCI: no loss allowance is recognised 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 Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group 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.

F. Loans and Advances:

Loans and advances are non-derivative financial assets with fixed or determinable payments, other than investment securities, that are not held for trading. Loans and advances are measured at amortized cost net of provision for credit losses where applicable.

G. Financial Liabilities and Equity Instruments Issued by the Group:

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

Equity instruments

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 Group are recognised at the proceeds received, net of direct issue costs.

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

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination 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 Group'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 IFRS 9 permits the entire hybrid (combined) contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains/losses arising on remeasurement recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain/loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'net income from other financial instruments at FVTPL' line item in the profit or loss account.

However, for non-derivative financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

For issued loan commitments and financial guarantee contracts that are designated as at FVTPL all gains and losses are recognised in profit or loss.

In making the determination of whether recognising changes in the liability's credit risk in OCI will create or enlarge an accounting mismatch in profit or loss, the Group assesses whether it expects that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. This determination is made at initial recognition.

Other financial liabilities

Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For details on EIR see the "net interest income section" above.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

H. Offsetting:

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

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

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.

Fair value is determine as described under 48.

J. 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.

K. 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 a group entity 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 Group's revenue recognition policies.

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

L. Hedge accounting

The Group 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 Group does not apply fair value hedge accounting of portfolio hedges of interest rate risk. In addition the Group does not use the exemption to continue using IAS 39 hedge accounting rules, i.e. the Group applies IFRS 9 hedge accounting rules in full.

At the inception of the hedge relationship, the Group 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 Group 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 Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group 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 Group 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 Group 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 Group's risk management policy does not include hedges of items that result in the recognition of non-financial items, because the Group's risk exposures relate to financial items only.

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

Cash flow hedges

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

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

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

Hedges of net investments in foreign operations

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

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

M. Investments in Associates:

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

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

The results and assets and liabilities of associates, except where the Group has control over the associates' financial and operating policies, are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held-for-Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

The financial statements of the associates are prepared for the same reporting period of the Group.

N. Property and Equipment:

Property and equipment are stated at historical cost, 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, over the estimated useful lives of the related assets. Depreciation is calculated systematically using the straight-line method on the basis of the following annual rates:

	Rate %
Property	2.5
Furniture and fixtures	7.5 to 8
Equipment	10 to 12
Computer hardware	20
Installations and leasehold improvements	15 to 20
Vehicles	12 to 20

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives estimated at five years.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

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.

O. Intangible Assets Other than Goodwill:

Intangible assets other than goodwill, are amortized on a straight-line basis at the rate of 20%. Intangible assets are subject to impairment testing. Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates all other expenditure is expressed when incurred.

P. Assets acquired in satisfaction of loans:

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

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

Q. Impairment of Tangible and Intangible Assets:

At each statement of financial position date, the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of impairment provision required, if any.

Recoverable amount is defined as the higher of:

- Fair value that reflects market conditions at the statement of financial position date, less cost to sell, if any. To determine fair value, the Group adopts the market comparability approach using as indicators the current prices for similar assets in the same location and condition.

- Value in use: the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life, only applicable to assets with cash generation units.

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.

In this connection, the recoverable amount of the Group's owned properties and of properties acquired in satisfaction of debts, is the estimated market value, as determined by real estate appraisers on the basis of market compatibility by comparing with similar transactions in the same geographical area and on the basis of the expected value of a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale after adjustment for illiquidity and market constraints.

The impairment loss is charged to the consolidated statement of profit or loss.

R. Employees' Benefits:

Obligations for contributions to defined employees' benefits are recognized as an expense on a current basis.

Employees' End-of-Service Indemnities: (Under the Lebanese Jurisdiction)

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

Defined Benefit Plans: (Under other jurisdictions)

Obligations in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognized past service costs and the fair value of any plan assets are deducted.

S. Provisions:

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provision is measured at the best estimate of the consideration required to settle the obligation at the statement of financial position date.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

T. Net Interest Income and expense:

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 recognised 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 financial assets 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 recognised 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 amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs). For financial assets purchased or originated credit-impaired (POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

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 from financial assets at fair value through profit or loss

Net income from financial instruments at FVTPL includes all gains and losses from changes in the fair value of financial assets at FVTPL and related interest income and dividends.

X. 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.

Y. Leases:

The Group assesses whether contract is or contains a lease, at inception of the contract. The Group recognises 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 Group recognises 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 Group 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 consolidated 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 Group 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 comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

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 Group 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.

The right-of-use of assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Impairment of Tangible and Intangible Assets' policy.

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 recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

Z. Treasury Shares:

Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Gains on sale of treasury shares are recorded under a reserve account in equity. Losses in excess of previously recognized gains are charged to retained earnings.

AA. Fiduciary Accounts Deposits:

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

BB. 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.

CC. Earnings Per Share:

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees, if applicable.

DD. Cash and Cash Equivalents:

Cash and cash equivalents comprise balances with original contractual maturities of three months or less and include: cash and balances with the Central Banks and deposits with banks and financial institutions.

EE. Dividends:

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

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

FF. 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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors are required to make judgments, estimates and assumptions about the carrying 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 Group's accounting policies:

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

Going concern:

Notwithstanding the uncertainties resulting from the events and conditions disclosed under Note 1, these consolidated financial statements have been prepared based on the going concern assumption which assumes that the Group 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 Group and continue operations in the current business environment.

Deferred tax assets:

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

Business model assessment:

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (Refer to the financial assets sections of note 3). The Group 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 Group 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 Group'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

Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

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 Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used:

The Group 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.

B. Key Sources of Estimation Uncertainty:

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward looking information relevant to each scenario:

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of default:

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.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Determining Fair Values:

The determination of fair value for financial assets for which there is no observable market price requires the use of valuation techniques as described in Note 47. For financial instruments that are traded infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective should remain the same; that is, an exit price from the perspective of market participants. Unobservable inputs are developed based on the best information available in the circumstances, which may include the reporting entity's own data.

Impairment of Non-financial Assets

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

5. CASH AND DEPOSITS WITH CENTRAL BANKS

	December 31,	
	2020	2019
	LBP'000	LBP'000
Cash on hand	36,083,885	14,266,307
Current accounts with Central Bank of Lebanon (of which compulsory reserves LBP34.84billion in 2020 and LBP19.2billion in 2019)	1,285,449,537	225,486,653
Current accounts with others central banks	70,415,839	1,750,753
Term placements with Central Bank of Lebanon	441,047,970	298,428,495
Term placements with Central Bank of Lebanon subject to leverage arrangements (Note 12)	386,940,000	386,940,000
Accrued interest receivable	18,195,813	21,241,787
	2,238,133,044	948,113,995
Provision for expected credit losses (Note 36)	(18,201,096)	(16,134,796)
	2,219,931,948	931,979,199

Compulsory deposits with central banks are not available for use in the Group's day-to-day operations.

Cash compulsory reserves with Central Bank of Lebanon represent non-interest earning deposits in Lebanese Pounds 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 the local banking regulations.

Current accounts with other central banks include an amount of EUR37million (C/V LBP68.5billion) as at December 31, 2020 deposited by the Bank's branch in Limassol with the Central Bank of Cyprus upon the latter's request. During 2020, the Central Bank of Cyprus requested from the Bank's branch in Limassol to place and maintain ,at all times, with the Central Bank of Cyprus an amount equal to the total customers' guaranteed deposits held by the branch including accrued interest.

Current accounts with other central banks include as well an amount of EURO628,638 (C/V LBP1.16billion) as at December 31, 2020 (LBP1.14billion as at December 31, 2019) deposited in accordance with banking laws and regulations in Cyprus which require banks to maintain at the Central Bank of Cyprus mandatory deposits in Euro to the extent of 1% (1% as at December 31, 2019) of banks' and customers' deposits maturing in less than two years, after deducting a fixed amount of Euro100,000.

Term placements with Central Bank of Lebanon include an amount of LBP388billion as at December 31, 2020 (LBP257billion as at December 31, 2019) representing the equivalent in foreign currencies of amounts deposited 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 obtained from non-resident financial institutions.

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

	December 31, 2020 LBP'000	December 31, 2019 LBP'000
Checks in course of collection	22,306,100	21,234,138
Current accounts	68,161,723	53,482,648
Current accounts - related parties	1,450,476	1,340,358
Term placements	2,875,289	32,783,285
Margin accounts	13,956,781	35,020,569
Accrued interest receivable	1,708	45,978
	108,752,077	143,906,976
Provision for expected credit losses (Note 36)	(307,909)	(176,105)
	108,444,168	143,730,871

Deposits with banks and financial institutions are distributed between resident and non-resident as follows (excluding accrued interest and provision for expected credit losses):

	December 31, 2020 LBP'000	December 31, 2019 LBP'000
Resident	29,463,945	57,002,778
Non-resident	79,286,424	86,858,220
	108,750,369	143,860,998

Deposits with banks and financial institutions include deposits in the amount of LBP26.04billion subject to right of set-off by the related correspondents against trade finance and other facilities at 2020 year end (LBP4.39billion against trade finance and other facilities as at December 31, 2019).

Margin accounts and pledged deposits are blocked against trade finance and treasury transactions (Refer to Note 44).

Deposits with banks and financial institutions are distributed between resident and non-resident as follows:

	December 31, 2020 LBP'000	December 31, 2019 LBP'000
Resident	29,463,945	57,002,778
Non-resident	79,286,424	86,858,220
	108,750,369	143,860,998

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2020			December 31, 2019		
	LBP Base Accounts LBP'000	Foreign Currency Base Accounts LBP'000	Total LBP'000	LBP Base Accounts LBP'000	Foreign Currency Base Accounts LBP'000	Total LBP'000
Quoted equity securities	-	10,533,857	10,533,857	-	10,029,999	10,029,999
Lebanese treasury bills	239,666	-	239,666	240,463	-	240,463
Foreign treasury bills	-	-	-	-	59,847,750	59,847,750
Lebanese Government bonds	-	21,594	21,594	-	72,560	72,560
Corporate bonds	-	67,838	67,838	-	329,550	329,550
Accrued interest receivable	6,204	12,276	18,480	6,099	1,654	7,753
	245,870	10,635,565	10,881,435	246,562	70,281,513	70,528,075

The positive change in fair value of financial assets at fair value through profit or loss in the amount of LBP596million (LBP25million in 2019) is recorded under "Net interest and other gains/(losses) on financial assets at fair value through profit or loss" (Note 34) in the consolidated statement of profit or loss.

8. RIGHT OF USE OF ASSETS/LEASE LIABILITY

	Right of Use LBP'000	Lease Liability LBP'000
Balance as at January 1, 2019	4,462,022	4,462,022
Depreciation expense	(1,279,629)	-
Interest expense	-	288,945
Settlements	-	(1,684,300)
Balance as at December 31, 2019	3,182,393	3,066,667
New Lease	60,635	45,018
Depreciation expense	(1,280,018)	-
Interest expense	-	195,027
Settlements	-	(860,646)
Balance as at December 31, 2020	1,963,010	2,446,066
Current Portion		763,273
Non-Current Portion		1,682,793
		2,446,066

9. LOANS AND ADVANCES TO CUSTOMERS AND RELATED PARTIES

	December 31, 2020			December 31, 2019		
	Carrying Amount	Provision for expected credit losses	Net Carrying Amount	Carrying Amount	Provision for expected credit losses	Net Carrying Amount
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Performing retail customers - Stages 1 & 2:						
Housing loans	38,113,314	(209,835)	37,903,479	51,318,996	(210,635)	51,108,361
Personal loans	7,810,916	(155,000)	7,655,916	6,114,178	(53,833)	6,060,345
Overdrafts	21,437,466	(341,880)	21,095,586	24,070,836	(141,411)	23,929,425
Other	674,267	(3,289)	670,978	3,156,829	(1,751)	3,155,078
Performing corporate customers - Stages 1 & 2:						
Large enterprises	316,973,020	(10,408,037)	306,564,983	411,616,572	(3,645,438)	407,971,134
Small and medium enterprises	158,448,219	(9,271,908)	149,176,311	264,186,846	(4,913,319)	259,273,527
Non-performing loans - Stage 3:						
Substandard	89,181,311	(27,435,259)	61,746,052	66,823,252	(19,621,250)	47,202,002
Bad and doubtful	25,092,851	(15,027,730)	10,065,121	15,189,520	(8,386,252)	6,803,268
Accrued interest receivable	143,312	-	143,312	1,643,696	-	1,643,696
	657,874,676	(62,852,938)	595,021,738	844,120,725	(36,973,889)	807,146,836

The allocation of provision for expected credit losses by grade to their respective stage is presented as follows:

	2020			
	Stage 1 12 month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Excellent and Strong (A+)	133,196	-	-	133,196
Good and Satisfactory(A)	758,359	-	-	758,359
Adequate (A-)	157,620	-	-	157,620
Marginal and Vulnerable (B & B-)	-	19,340,774		19,340,774
Substandard and doubtful (C,D,&E)	-	-	42,462,989	42,462,989
Total gross carrying amount	1,049,175	19,340,774	42,462,989	62,852,938

	2019			
	Stage 1 12 month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Excellent and Strong (A+)	179,125	-	-	179,125
Good and Satisfactory (A)	1,311,604	-	-	1,311,604
Adequate (A-)	418,191	-	-	418,191
Marginal and Vulnerable (B & B-)	-	7,057,467	-	7,057,467
Substandard and doubtful (C, D, & E)	-	-	28,007,502	28,007,502
Total	1,908,920	7,057,467	28,007,502	36,973,889

The movement of the provision for expected credit loss for the credit impaired loans and advances during 2020 and 2019 is represented as follows:

	Stage 1 12 month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Loss allowance as at January 1, 2020	1,908,920	7,057,467	28,007,502	36,973,889
Transfer to Stage 2	(73,569)	73,569	-	-
Transfer to Stage 3	(6,699)	(2,633,960)	2,640,659	-
Movement due to changes in balance and credit risk within the same stage	(882,351)	14,843,698	11,814,828	25,776,175
New financial assets originated or purchased				
Loss allowance as at December 31, 2020	102,874	-	-	102,874
	1,049,175	19,340,774	42,462,989	62,852,938

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Loss allowance as at January 1, 2019	2,965,829	2,397,832	9,131,634	14,495,295
Transfer to Stage 2	(232,070)	232,070	-	-
Transfer to Stage 3	(139,353)	-	139,353	-
Movement due to changes in balance and credit risk within the same stage	(722,443)	4,427,565	18,736,515	22,441,637
New financial assets originated or purchased	36,957	-	-	36,957
Loss allowance as at December 31, 2019	1,908,920	7,057,467	28,007,502	36,973,889

The changes in the carrying amounts of loans and advances to customers that contributed to changes in loss allowances is detailed as follows (excluding accrued interest):

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Gross carrying amount as at January 1, 2020	655,488,243	104,976,014	82,012,772	842,477,029
Changes in gross carrying amount:				
Transfer to Stage 2	(31,848,115)	31,848,115	-	-
Transfer to Stage 3	(2,900,056)	(48,025,128)	50,925,184	-
Financial assets that have been derecognised	(210,421,419)	(192,571)	(18,666,003)	(229,279,993)
New financial assets originated or purchased	44,534,328	-	-	44,534,328
Carrying amount as at December 31, 2020	454,852,981	88,606,430	114,271,953	657,731,364

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Carrying amount as at January 1, 2019	1,009,056,866	54,549,253	46,476,463	1,110,082,582
Changes in gross carrying amount:				
Transfer to Stage 2	(65,759,703)	65,759,703	-	-
Transfer to Stage 3	(28,032,453)	(13,447,443)	41,479,896	-
Financial assets that have been derecognized	(275,775,058)	(1,885,499)	(5,943,587)	(283,604,144)
New financial assets originated or purchased	15,998,591	-	-	15,998,591
Carrying amount as at December 31, 2019	655,488,243	104,976,014	82,012,772	842,477,029

10. INVESTMENT SECURITIES

	December 31, 2020			December 31, 2019		
	LBP	C/V of F/Cy	Total	LBP	C/V of F/Cy	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Financial assets at amortized cost (A)	101,044,029	323,868,084	424,912,113	155,427,093	273,759,232	429,186,325
Accrued interest receivable	2,021,289	1,777,187	3,798,476	3,649,563	3,177,853	6,827,416
Provision for expected credit losses	(7,275)	(295,858)	(303,133)	(9,873)	(7,542,061)	(7,551,934)
Provision for expected credit losses on Lebanese Government Bonds recorded in LBP	(6,774,733)	(6,783,064)	(13,557,797)	(3,243,870)	-	(3,243,870)
Provision for expected credit losses on Certificates of deposit denominated in F/cy recorded in LBP	(2,331,729)	(1,164,035)	(3,495,764)	(1,945,366)	-	(1,945,366)
	93,951,581	317,402,314	411,353,895	153,877,547	269,395,024	423,272,571
Financial assets at fair value through other comprehensive income (B)	615,120	18,686,207	19,301,327	615,120	36,935,154	37,550,274
Accrued interest receivable	-	-	-	-	603,313	603,313
	615,120	18,686,207	19,301,327	615,120	37,538,467	38,153,587
	94,566,701	336,088,521	430,655,222	154,492,667	306,933,491	461,426,158

A. Financial assets at amortized cost are broken down as follows:

	December 31, 2020							
	LBP Base Accounts				C/V of F/Cy Base Accounts			
	Amortized Cost LBP'000	Provision for Expected Credit Losses LBP'000	Net Carrying Amount LBP'000	Accrued Interest Receivable LBP'000	Amortized Cost LBP'000	Provision for Expected Credit Losses LBP'000	Net Carrying Amount LBP'000	Accrued Interest Receivable LBP'000
Lebanese treasury bills	32,550,562	-	32,550,562	-	-	-	-	-
Lebanese Government bonds	-	-	-	-	118,924,484	(6,783,064)	112,141,420	-
Provision for expected credit losses on Lebanese Government Bonds recorded in LBP	-	(6,774,733)	(6,774,733)	-	-	-	-	-
Certificates of deposit issued by Central Bank of Lebanon	68,340,422	-	68,340,422	2,020,362	200,630,047	(1,164,035)	199,466,012	1,641,670
Provision for expected credit losses on Certificates of deposit denominated in F/cy recorded in LBP	-	(2,331,729)	(2,331,729)	-	-	-	-	-
Corporate bonds	153,045	(7,275)	145,770	927	4,313,553	(295,858)	4,017,695	135,517
	101,044,029	(9,113,737)	91,930,292	2,021,289	323,868,084	(8,242,957)	315,625,127	1,777,187

	December 31, 2019							
	LBP Base Accounts				C/V of F/Cy Base Accounts			
	Amortized Cost LBP'000	Provision for Expected Credit Losses LBP'000	Net Carrying Amount LBP'000	Accrued Interest Receivable LBP'000	Amortized Cost LBP'000	Provision for Expected Credit Losses LBP'000	Net Carrying Amount LBP'000	Accrued Interest Receivable LBP'000
Lebanese treasury bills	84,700,917	-	84,700,917	1,631,244	-	-	-	-
Lebanese Government bonds	-	-	-	-	99,623,935	(6,282,654)	93,341,281	1,623,895
Provision for expected credit losses on Lebanese Government Bonds recorded in LBP	-	(3,243,870)	(3,243,870)	-	-	-	-	-
Certificates of deposit issued by Central Bank of Lebanon	69,226,176	-	69,226,176	1,989,308	155,039,596	(1,009,620)	154,029,976	1,308,848
Provision for expected credit losses on Certificates of deposit denominated in F/cy recorded in LBP	-	(1,945,366)	(1,945,366)	-	-	-	-	-
Corporate bonds	1,500,000	(9,873)	1,490,127	29,011	19,095,701	(249,787)	18,845,914	245,110
	155,427,093	(5,199,109)	150,227,984	3,649,563	273,759,232	(7,542,061)	266,217,171	3,177,853

The remaining periods to maturity of financial assets at amortized cost, denominated in Lebanese Pounds excluding accrued interest, are as follows:

	December 31, 2020				
	LBP Base Accounts				
	Nominal Value LBP'000	Amortized Cost LBP'000	Provision for Expected Credit Losses LBP'000	Net Carrying Amount LBP'000	Yield %
Lebanese treasury bills:					
Up to one year	2,277,000	2,268,141	-	2,268,141	-
1 year to 3 years	14,121,850	14,188,324	-	14,188,324	-
3 years to 5 years	13,378,700	16,094,097	-	16,094,097	-
5 years to 10 years	-	-	-	-	-
	29,777,550	32,550,562	-	32,550,562	
Certificates of deposit issued by Central Bank of Lebanon:					
1 year to 3 years	1,000,000	1,000,623	-	1,000,623	-
3 years to 5 years	10,000,000	10,263,410	-	10,263,410	-
5 years to 10 years	53,000,000	57,076,389	-	57,076,389	-
	64,000,000	68,340,422	-	68,340,422	
Corporate bonds:					
1 year to 3 years	1,500,000	153,045	(7,275)	145,770	-
	1,500,000	153,045	(7,275)	145,770	
Provision for expected credit losses:					
Provision for expected credit losses recorded in LBP on Lebanese Government bonds	-	-	(6,774,733)	(6,774,733)	
Provision for expected credit losses recorded in LBP on Certificates of deposit denominated in F/CY	-	-	(2,331,729)	(2,331,729)	
	-	-	(9,106,462)	(9,106,462)	
	95,277,550	101,044,029	(9,113,737)	91,930,292	

	December 31, 2019				
	LBP Base Accounts				
	Nominal Value	Amortized Cost	Provision for Expected Credit Losses	Net Carrying Amount	Yield
	LBP'000	LBP'000	LBP'000	LBP'000	%
Lebanese treasury bills:					
Up to one year	53,680,000	54,255,716	-	54,255,716	7.33%
1 year to 3 years	12,557,500	12,615,293	-	12,615,293	7.18%
3 years to 5 years	10,377,550	10,462,374	-	10,462,374	7.23%
5 years to 10 years	6,842,500	7,367,534	-	7,367,534	7.82%
	83,457,550	84,700,917	-	84,700,917	
Certificates of deposit issued by Central Bank of Lebanon:					
1 year to 3 years	1,000,000	1,012,029	-	1,012,029	7.71%
3 years to 5 years	10,000,000	10,382,107	-	10,382,107	7.94%
5 years to 10 years	53,000,000	57,832,040	-	57,832,040	8.21%
	64,000,000	69,226,176	-	69,226,176	
Corporate bonds:					
1 year to 3 years	1,500,000	1,500,000	(9,873)	1,490,127	8.00%
	1,500,000	1,500,000	(9,873)	1,490,127	
Provision for expected credit losses:					
Provision for expected credit losses recorded in LBP on Lebanese Government bonds	-	-	(3,243,870)	(3,243,870)	
Provision for expected credit losses recorded in LBP on Certificates of deposit denominated in F/CY	-	-	(1,945,366)	(1,945,366)	
	-	-	(5,189,236)	(5,189,236)	
	148,957,550	155,427,093	(5,199,109)	150,227,984	

The remaining periods to maturity of financial assets at amortized cost, denominated in Foreign Currencies excluding accrued interest, are as follows:

	December 31, 2020				
	F/Cy Base Accounts				
Contractual Maturity	Nominal Value	Amortized Cost	Provision for Expected Credit Losses	Net Carrying Amount	Yield
	LBP'000	LBP'000	LBP'000	LBP'000	%
Lebanese Government bonds:					
Up to one year	6,783,750	6,532,110	(372,570)	6,159,540	-
1 year to 3 years	6,138,540	6,201,349	(353,705)	5,847,644	-
3 years to 5 years	60,073,875	57,124,438	(3,258,191)	53,866,247	-
5 years to 10 years	53,878,050	47,136,082	(2,688,488)	44,447,594	-
Beyond 10 years	2,110,500	1,930,505	(110,110)	1,820,395	-
	128,984,715	118,924,484	(6,783,064)	112,141,420	
Certificates of deposit issued by Central Bank of Lebanon:					
1 year to 3 years	123,615,000	123,574,955	(716,969)	122,857,986	-
3 years to 5 years	53,064,000	54,344,442	(315,301)	54,029,141	-
5 years to 10 years	7,537,500	7,635,651	(44,301)	7,591,350	-
Beyond 10 years	15,075,000	15,075,000	(87,464)	14,987,536	-
	199,291,500	200,630,048	(1,164,035)	199,466,013	
Corporate Bonds:					
Up to one year	1,638,325	1,631,945	(111,932)	1,520,013	-
1 year to 3 years	-	-	-	-	
3 years to 5 years	1,356,750	1,356,750	(93,057)	1,263,693	-
5 years to 10 years	1,348,849	1,324,858	(90,869)	1,233,989	-
	4,343,924	4,313,553	(295,858)	4,017,695	
	332,620,139	323,868,085	(8,242,957)	315,625,127	

	December 31, 2019				
	F/Cy Base Accounts				
Contractual Maturity	Nominal Value	Amortized Cost	Provision for Expected Credit Losses	Net Carrying Amount	Yield
	LBP'000	LBP'000	LBP'000	LBP'000	%
Lebanese Government bonds:					
1 year to 3 years	6,783,750	6,061,251	(141,789)	5,919,462	9.23%
3 years to 5 years	31,657,500	28,716,649	(1,538,486)	27,178,163	7.04%
5 years to 10 years	72,269,550	64,846,035	(4,602,379)	60,243,656	7.64%
	110,710,800	99,623,935	(6,282,654)	93,341,281	
Certificates of deposit issued by Central Bank of Lebanon:					
1 year to 3 years	58,792,500	58,792,500	(382,858)	58,409,642	6.25%
3 years to 5 years	71,154,000	73,525,960	(478,802)	73,047,158	6.77%
Beyond 10 years	22,612,500	22,721,136	(147,960)	22,573,176	7.20%
	152,559,000	155,039,596	(1,009,620)	154,029,976	
Corporate Bonds:					
Up to one year	1,342,625	1,342,625	(17,563)	1,325,062	7.00%
1 year to 3 years	9,890,940	9,888,541	(129,350)	9,759,191	6.27%
5 years to 10 years	7,914,375	7,864,535	(102,874)	7,761,661	6.54%
	19,147,940	19,095,701	(249,787)	18,845,914	
	282,417,740	273,759,232	(7,542,061)	266,217,171	

The movement of financial assets at amortized cost, denominated in Lebanese Pounds excluding accrued interest, is summarized as follows:

	2020				
	Lebanese Treasury Bills	Certificates of Deposit issued by the Central Bank of Lebanon	Corporate Bonds	Lebanese Government Bonds	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1,	84,700,917	67,280,810	1,490,127	(3,243,870)	150,227,984
Redemptions	(53,680,000)	-	(1,337,082)	-	(55,017,082)
Net variation in premium	1,529,645	(885,754)	-	-	643,891
Provision for expected credit losses	-	-	(7,275)	-	(7,275)
Provision for expected credit losses recorded in LBP on Lebanese Government bonds	-	-	-	(3,530,863)	(3,530,863)
Provision for expected credit losses recorded in LBP on Certificates of deposit denominated in F/CY	-	(386,363)	-	-	(386,363)
Balance December 31,	32,550,562	66,008,693	145,770	(6,774,733)	91,930,292

	2019				
	Lebanese Treasury Bills	Certificates of Deposit issued by the Central Bank of Lebanon	Corporate Bonds	Lebanese Government Bonds	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1,	94,952,104	70,109,509	1,500,000	-	166,561,613
Additions	182,000	-	-	-	182,000
Redemptions	(9,830,000)	-	-	-	(9,830,000)
Net variation in premium	(1,172,530)	(883,333)	-	-	(2,055,863)
Write-back/(provision) for expected credit losses	569,343	-	(9,873)	-	559,470
Provision for expected credit losses recorded in LBP on Lebanese Government bonds	-	-	-	(3,243,870)	(3,243,870)
Provision for expected credit losses recorded in LBP on Certificates of deposit denominated in F/CY	-	(1,945,366)	-	-	(1,945,366)
Balance December 31,	84,700,917	67,280,810	1,490,127	(3,243,870)	150,227,984

The movement of financial assets at amortized cost, denominated in Foreign Currencies excluding accrued interest, is summarized as follows:

	2020			
	Lebanese Government Bonds	Certificates of Deposit issued by the Central Bank of Lebanon	Corporate Bonds	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1	93,341,281	154,029,976	18,845,914	266,217,171
Reclassification from financial assets at fair value through other comprehensive income	17,057,017	45,929,404	1,589,040	64,575,461
Redemptions	-	-	(16,397,521)	(16,397,521)
Net variation in premium	2,243,132	(338,953)	26,332	1,930,511
Provision for expected credit losses	(500,010)	(154,415)	(46,070)	(700,495)
Balance December 31	112,141,420	199,466,012	4,017,695	315,625,127

On February 23, 2021 the Group's ALCO committee approved to reclassify retrospectively as of December 31, 2020, at cost, Lebanese government bonds and certificates of deposit issued by the Central Bank of Lebanon denominated in U.S. Dollars from fair value through other comprehensive income to financial assets at amortized cost.

	2019			
	Lebanese Government Bonds	Certificates of Deposit issued by the Central Bank of Lebanon	Corporate Bonds	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1	91,019,072	154,762,153	15,911,153	261,692,378
Additions	6,783,750	-	5,669,940	12,453,690
Redemptions	-	-	(2,503,162)	(2,503,162)
Net variation in premium	796,463	(578,914)	17,770	235,319
Provision for expected credit losses	(5,258,004)	(153,263)	(249,787)	(5,661,054)
Balance December 31	93,341,281	154,029,976	18,845,914	266,217,171

B. Financial assets at fair value through other comprehensive income are broken down as follows:

	December 31, 2020			
	LBP Base Accounts		C/V of F/Cy Base Accounts	
	Cost	Fair Value	Cost	Fair Value
	LBP'000	LBP'000	LBP'000	LBP'000
Unquoted equity securities	615,120	615,120	25,739,038	18,686,207

	December 31, 2019				
	LBP Base Accounts		C/V of F/Cy Base Accounts		
	Cost	Fair Value	Cost	Fair Value	Accrued Interest Receivable
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Unquoted equity securities	615,120	615,120	950,714	950,714	-
Lebanese Government bonds	-	-	17,057,018	8,235,335	169,377
Certificates of deposit issued by Central Bank of Lebanon	-	-	45,929,404	23,576,396	380,181
Corporate bonds	-	-	4,865,941	4,172,709	53,755
	615,120	615,120	68,803,077	36,935,154	603,313

Unquoted equity securities, include an amount of LBP901million representing the Group's investment in "La Banque Outarde". During November 2017, the Group acquired 3,500 shares of La Banque Outtrade in Senegal "LBO S.A." whose capital is divided into 100,000 shares of CFA100,000 each following the approval of the Central Bank of Lebanon on March 31, 2016. The total acquisition of the Group amounted to CFA350million constituting 3.5% of "LBO S.A" capital. The Group recorded the investment in Euro for the equivalent amount of EUR534,000 (C/V LBP989million) as at December 31, 2020 (C/V LBP901million as at December 31, 2019).

The remaining periods to maturity of debt financial assets at fair value through other comprehensive income, denominated in Foreign Currencies excluding accrued interest, is as follows:

	2019		
	Cost LBP'000	Fair Value LBP'000	Yield %
Lebanese Government bonds:			
1 year to 3 years	91,978	45,217	6.20%
3 years to 5 years	9,996,980	4,876,784	7.02%
5 years to 10 years	5,051,908	2,368,885	6.59%
Above 10 years	1,916,152	944,449	7.71%
	17,057,018	8,235,335	
Certificates of deposit issued by Central Bank of Lebanon:			
Up to one year			
1 year to 3 years	4,410,628	2,596,820	6.41%
3 years to 5 years	41,518,776	20,979,576	6.51%
	45,929,404	23,576,396	
Corporate bonds:			
1 year to 3 years	3,056,941	3,069,220	6.47%
5 years to 10 years	1,809,000	1,103,489	7.09%
	4,865,941	4,172,709	
	67,852,363	35,984,440	

The movement of financial assets at fair value through other comprehensive income, denominated in Foreign Currencies excluding accrued interest, is summarized as follows:

	2020				
	Lebanese Government Bonds	Certificates of Deposit issued by the Central Bank of Lebanon	Corporate Bonds	Unquoted Equity Securities	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1,2020	8,235,335	23,576,396	4,172,709	950,714	36,935,154
Reclassification to financial assets at amortized cost	(17,057,017)	(45,929,404)	(1,589,040)	-	(64,575,461)
Transfer from investment in an associate	-	-	-	17,645,343	17,645,343
Sales	-	-	(2,583,669)	-	(2,583,669)
Effect of exchange rates changes	-	-	-	90,151	90,151
Reversal of change in fair value of financial assets at fair value through other comprehensive income	8,570,220	22,198,593	-	-	30,768,813
Reclassification of provision for expected credit losses to financial assets at amortized cost	251,462	154,415	-	-	405,877
Balance December 31,2020	-	-	-	18,686,208	18,686,208

	2019				
	Lebanese Government Bonds	Certificates of Deposit issued by the Central Bank of Lebanon	Corporate Bonds	Unquoted Equity Securities	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1	23,102,111	40,251,907	3,081,423	946,230	67,381,671
Additions	-	-	2,130,574	-	2,130,574
Sales	(10,854,000)	-	(333,777)	-	(11,187,777)
Net variation in premium	962,540	240,888	18,148	-	1,221,576
Effect of exchange rates changes	-	-	-	4,484	4,484
Change in fair value of financial assets at fair value through other comprehensive income	(4,975,316)	(16,916,399)	(723,659)	-	(22,615,374)
Balance December 31	8,235,335	23,576,396	4,172,709	950,714	36,935,154

11. LIABILITY UNDER ACCEPTANCES

Acceptances represent documentary credits which the Group has committed to settle on behalf of its customers against commitments by those customers (acceptances) in the gross amount of LBP11.5billion net of allowance for expected credit losses in the amount of LBP27million. The commitments resulting from these acceptances are stated as a liability in the statement of financial position for the same gross amount.

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

	December 31, 2020 LBP'000	December 31, 2019 LBP'000
Assets under leverage arrangements:		
Term placements with Central Bank of Lebanon	386,940,000	386,940,000
Lebanese Treasury bills at amortized cost	64,821,975	64,821,975
	451,761,975	451,761,975
Less:		
Leverage arrangements	(451,761,975)	(451,761,975)
	-	-

Assets under leverage arrangement consisting of term placements in LBP with the Central Bank of Lebanon and Lebanese Treasury bills (earning 10% interest) originated from and are pledged against the corresponding leverage arrangements with the Central Bank of Lebanon for the same amounts in LBP (bearing 2% interest), purpose of which is to provide yield adjustment on certain transactions related to either fresh deposits in foreign currency or sale of foreign currency against LBP placed in term deposits at the Central Bank of Lebanon and/or Government securities in foreign currency. The leverage and related pledged assets mechanism resulted in a yield enhancement on the following financial assets:

During 2019, 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 "term deposits with Central Bank of Lebanon" and term borrowing from Central Bank of Lebanon" on a net basis for the years ended December 31, 2020 and 2019 for comparative purpose.

	December 31, 2020 LBP'000	December 31, 2019 LBP'000
Term placements with Central Bank of Lebanon	301,123,125	301,123,125
Lebanese Government bonds at amortized cost	60,781,040	60,781,040
	361,904,165	361,904,165

The assets under leverage arrangements and the corresponding leverage liabilities were offset as they will be settled on a net basis.

13. INVESTMENT IN AN ASSOCIATE

	Country of Incorporation	Interest Held	December 31, 2020 Carrying Value	December 31, 2019 Carrying Value
		%	LBP'000	LBP'000
Banque Bemo Saudi Fransi S.A.	Syria	22	-	23,974,070
			-	23,974,070

As of December 31, 2020 the Group no longer exercise any significant influence on its investee as a result of the exit from both direct and indirect representation of the Board of Directors of the investee. As a result, investment in an associate has been reclassified to an investment at fair value through other comprehensive income

The movement of the above investment in an associate is as follows:

	2020 LBP'000	2019 LBP'000
Balance January 1	23,974,070	23,102,054
Reversal of deferred tax liability (Note 21)	(501,838)	-
Reversal of accumulated share in profit of an associate	(23,890,169)	-
Share in profit of an associate (Note 35)	-	2,026,661
Currency translation in adjustment for the year	-	41,016
Reversal of currency translation adjustment	23,587,519	-
Reversal/change in fair value of investment securities	1,528,592	(737,870)
Transfer to financial assets at fair value through other comprehensive income	(17,645,343)	-
Reversal of provision for impairment of investment in an associate	(7,052,831)	-
Other adjustment	-	(457,791)
Balance December 31	-	23,974,070

The movement of the currency translation adjustment for the years 2020 and 2019 is as follows:

	2020 LBP'000	2019 LBP'000
Balance January 1	520,277	479,261
(Reversal)/additions	(520,277)	41,016
Balance December 31	-	520,277

The summarized consolidated financial statements of the former associate, Banque Bemo Saudi Fransi S.A. (investee), for the year ended December 31, 2019 are provided below:

	December 31, 2019 (Unaudited) LBP'000
Total Assets	1,111,787,885
Total Liabilities	1,002,304,608
Equity of the group	108,973,046
Equity attributable to non controlling interests	510,231

Summarized consolidated statement of profit or loss:

	Year Ended December 31, 2019 (Unaudited) LBP'000
Interest income	58,012,847
Interest expense	(16,645,558)
Fees and commission income	12,215,631
Fees and commission expense	(899,551)
Administrative expenses	(8,365,067)
Staff costs	(18,308,958)
Provision for expected credit losses	(26,317,656)
Other provisions, net	8,364,749
Depreciation and amortization expense	(2,862,785)
Unrealized gain/(loss) on capital revaluation, net	99,208
Others	4,039,097
	9,331,957

14. ASSETS ACQUIRED IN SATISFACTION OF LOANS

Assets acquired in satisfaction of loans have been acquired through foreclosure of security over loans and advances.

The acquisition of assets in settlement of loans in Lebanon is regulated by the banking regulatory authorities and these assets should be liquidated within 2 years. In case of default of liquidation, a regulatory reserve should be appropriated from the yearly net profits. This regulatory reserve is reflected under equity. In this connection, an amount of LBP183million was appropriated in 2020 from 2019 income.

The movement of assets acquired in satisfaction of loans during 2020 and 2019 is detailed as follows:

	LBP'000
Ending balance, December 31, 2018	2,907,009
Additions	1,314,414
Ending balance, December 31, 2019	4,221,423
Disposals	(1,314,414)
Ending balance, December 31, 2020	2,907,009

15. PROPERTY AND EQUIPMENT

	Land LBP'000	Buildings LBP'000	Furniture LBP'000	Computer Equipment LBP'000	Vehicles LBP'000	Installations and Leasehold Improvement LBP'000	Advances on Capital Expenditures LBP'000	Total LBP'000
Gross Amount:								
Balance, January 1, 2019	15,141,331	18,361,036	2,727,037	7,249,394	787,344	11,627,699	24,229,594	80,123,435
Additions	-	-	119,407	383,748	6,211	35,586	16,819,337	17,364,289
Disposal/write-off	-	-	(9,729)	(117,155)	(8,442)	-	(4,235)	(139,561)
Transfers between categories	-	-	-	-	-	172,307	(172,307)	-
Balance December 31, 2019	15,141,331	18,361,036	2,836,715	7,515,987	785,113	11,835,592	40,872,389	97,348,163
Additions	-	-	262,731	996,763	-	196,086	2,705,198	4,160,778
Disposal	-	-	(889)	(265,707)	-	(2,532,169)	(292,111)	(3,090,876)
Balance December 31, 2020	15,141,331	18,361,036	3,098,557	8,247,043	785,113	9,499,509	43,285,476	98,418,065
Accumulated Depreciation:								
Balance, January 1, 2019	-	2,197,386	2,165,087	5,765,591	419,579	9,010,529	-	19,558,172
Additions	-	710,144	85,634	505,841	71,511	894,702	-	2,267,832
Write-off on disposal	-	-	(8,206)	(107,854)	(8,440)	-	-	(124,500)
Balance December 31, 2019	-	2,907,530	2,242,515	6,163,578	482,650	9,905,231	-	21,701,504
Additions	-	712,093	71,921	528,099	63,946	777,959	-	2,154,018
Write-off on disposal	-	-	(616)	(225,450)	-	(2,507,288)	-	(2,733,354)
Balance December 31, 2020	-	3,619,623	2,313,820	6,466,227	546,596	8,175,902	-	21,122,168
Carrying Amount:								
December 31, 2020	15,141,331	14,741,413	784,737	1,780,816	238,517	1,323,607	43,285,476	77,295,897
December 31, 2019	15,141,331	15,453,506	594,200	1,352,409	302,463	1,930,361	40,872,389	75,646,659

The Bank's Board of Directors approved on July 20, 2016 the acquisition of 5,307m^2 of property located on plot number 660 located in Medawar for a total consideration of USD20,945,000 (C/V LBP32billion) for the purpose of establishing the Bank's head quarters.

The addition to advances on capital expenditures during the year 2020 include an amount of LBP2.3billion related to the works performed in the newly acquired premises on plot 660 located in Medawar. Moreover, additions include an amount of LBP218.6million related to the works performed on the leased premises in Achrafieh used to accommodate the personnel of the Bank's branch of Gemmayzé which was severely damaged following the Beirut Sea Port explosion on August 4, 2020.

Additions to computer equipment in the amount of LBP997million represents the Group's purchase during 2020 of laptops, ups and storage solutions.

During June 2020, the Group evacuated the leased branch in Riad El Solh. Accordingly, the Group wrote off property and equipment with a net book value of LBP25million included under line "Disposals/write-off".

The addition to advances on capital expenditures during the year 2019 in the amount of LBP17billion, represents the 6th and 7th payments totaling USD6,283,500 (C/V LBP9.5billion) on plot number 660 as per acquisition contract, as well as the 4th and 5th payments totaling USD1,426,000 (C/VLBP2.15billion) on the additional sections of plot number 660 purchased in April 2018. This caption comprise as well advances on construction works during 2019 for the amount of USD4.7million (C/V LBP7billion).

16. INTANGIBLE ASSETS

	Purchased Software LBP'000
Cost:	
Balance, January 1, 2019	5,100,232
Acquisitions	115,109
Balance December 31, 2019	5,215,341
Acquisitions	326,723
Balance December 31, 2020	5,542,064
Amortization:	
Balance, January 1, 2019	4,125,549
Amortization of the year	360,657
Balance December 31, 2019	4,486,206
Amortization of the year	346,198
Balance December 31, 2020	4,832,404
Carrying Amount:	
December 31, 2020	709,660
December 31, 2019	729,135

17. OTHER ASSETS

	December 31, 2020 LBP'000	December 31, 2019 LBP'000
Exchange difference on fixed exchange position	231,654	231,654
Fair value of forward exchange contracts	-	2,466,154
Stamps	87,888	71,128
Receivables from securitization operations	1,685,914	2,224,163
Receivables from an associate and a related party bank	2,722,190	2,141,058
Prepayments	3,464,631	2,781,102
Advances to employees	2,279,033	33,000
Receivables from the Central Bank of Lebanon (a)	3,683,873	-
Receivables from a financial institution – credit and operations (Net of provision)	3,873,276	2,282,715
Receivables from National Social Security Fund	2,466,501	1,317,416
Sundry accounts receivable	5,032,116	3,625,265
	25,527,076	17,470,655

Provision for doubtful receivables of LBP108million was set up during 2020 against receivables from the National Social Security Fund (LBP227million for the year 2019). Total provision as at December 31, 2020 amounts to LBP1,055million (LBP1,051million as at December 31, 2019).

Receivables from an associate and a related party bank represent amounts paid by the Group on behalf of these related entities. The outstanding receivables are subject to interest at the annual rates of 6.5% and 4.5% respectively. Interest income earned during the year 2020 amounted to LBP122million recorded under interest income in the statement of profit or loss and other comprehensive income (LBP122million during 2019) (Note 30).

(a) Receivables from the Central Bank of Lebanon represents the aggregate amount due to the Group as a result of the conversion by customers of restricted foreign currency deposits into LBP at the platform rate of LBP3,900 in accordance with BDL Circular # 151 dated April 21, 2020.

18. DEPOSITS AND BORROWINGS FROM BANKS AND FINANCIAL INSTITUTIONS

	December 31,	
	2020	2019
	LBP'000	LBP'000
Current deposits of banks and financial institutions	15,946,146	14,051,213
Current deposits – Related parties	343,858,137	132,979,889
Money market deposits	16,304,450	83,505,687
Money market deposits - Related parties	33,937,654	95,007,130
Accrued interest payable	1,320,910	7,094,202
	411,367,297	332,638,121

19. CUSTOMERS AND RELATED PARTIES ACCOUNTS AT AMORTIZED COST

	December 31,	
	2020	2019
	LBP'000	LBP'000
Deposits from customers:		
Current and demand deposits	1,369,546,970	502,387,866
Term deposits	1,173,505,151	1,249,750,040
Collateral against loans and advances	17,705,092	43,529,749
Margins and other accounts:		
Margins for irrevocable import letters of credit	2,205	712,737
Margins on letters of guarantee	5,652,409	3,579,348
Other margins	10,667,005	11,860,451
Margins on trading transactions	1,802,761	3,403,160
Escrow accounts – advance on cash contribution to capital (Note 26)	19,499,512	-
Accrued interest payable:	4,243,527	14,131,600
Total	2,602,624,632	1,829,354,951

Deposits from customers are allocated by brackets of deposits as follows:

	December 31, 2020		
	Total Deposits	% to Total Deposits	% to Total No. of Customers
	LBP'000	%	%
Less than LBP200million	311,990,625	11.99	63.45
From LBP200million to LBP1.5billion	1,165,448,439	44.78	32.85
Over LBP1.5billion	1,125,185,568	43.23	3.70
	2,602,624,632	100.00	100.00

	December 31, 2019		
	Total Deposits	% to Total Deposits	% to Total No. of Customers
	LBP'000	%	%
Less than LBP200million	165,179,649	9.03	72.05
From LBP200million to LBP1.5billion	645,607,604	35.29	23.10
Over LBP1.5billion	1,018,567,698	55.68	4.85
	1,829,354,951	100.00	100.00

Term deposits as at December 31, 2020 include fiduciary deposits received from a non-resident related party bank in the amount of LBP2.23billion (LBP2.17billion as at December 31, 2019).

The average balances of customers' deposits at amortized cost, including related party deposits, and related cost of funds over the last 3 years were as follows:

	LBP Base Accounts		F/Cy Base Accounts		
	Average Balance of Deposits	Average Interest Rate	Average Balance of Deposits	Average Interest Rate	Cost of Funds
	LBP'000	%	LBP'000	%	LBP'000
2020	167,634,337	4.85	1,991,915,527	2.11	49,940,727
2019	152,693,430	9.02	1,538,211,438	5.03	101,056,845
2018	165,435,961	7.43	1,796,131,166	4.4	86,434,512

20. OTHER TERM BORROWINGS

	December 31,	
	2020	2019
	LBP'000	LBP'000
Other term borrowings	21,886,586	13,391,505
	21,886,586	13,391,505

Other term borrowings, represent borrowing from Central Bank of Lebanon in LBP being facilities in accordance with Central Bank of Lebanon Basic Decision No. 6116 of March 7, 1996 and its amendments by which the Group benefited from credit facilities granted against loans the Group has granted, at its own risk, to its customers, pursuant to certain conditions, rules and mechanism.

The movement of other term borrowings, excluding accrued interest, during 2020 and 2019 is summarized as follows:

	2020	2019
	LBP'000	LBP'000
Balance January 1	13,391,505	15,247,943
Additions/(settlements)	8,495,075	(1,856,438)
Balance December 31	21,886,580	13,391,505

21. OTHER LIABILITIES

	December 31,	
	2020	2019
	LBP'000	LBP'000
Fair value of forward exchange contracts	6,753,495	-
Current tax liability (a)	4,371,853	2,288,992
Regulatory deferred liability (b)	-	-
Deferred tax liability (Note 13)	-	501,838
Withheld tax on salaries	819,615	434,845
Withheld tax on interest	615,895	1,118,653
Lumpsum tax on turnover (c)	4,115,000	-
Due to the Social Security National Fund	352,722	274,805
Checks and incoming payment orders in course of settlement	705,084	414,245
Clients prefunded accounts	3,884,909	-
Accrued expenses	4,962,991	5,455,899
Accrued interest payable – cash contribution to capital (Note 26)	1,136,672	-
Sundry accounts payable (d)	6,213,743	3,015,512
Other taxes payable (e)	5,189,396	5,274,695
	43,236,375	18,779,484

(a) The determination of income tax of the Group is presented as follows:

	2020 LBP'000	2019 LBP'000
Profit before income tax	11,503,612	(9,839,823)
Add: Non-deductible expenses/losses	23,533,745	28,935,526
Less:		
Non-taxable revenues/gains	(673,661)	(4,355,459)
Income of Cyprus branch and subsidiaries	(1,010,753)	(1,909,935)
Taxable income for the year	33,352,943	12,830,309
Enacted tax rate in Lebanon	17%	17%
	5,670,000	2,181,153
Add: Income tax provision - branches and subsidiaries	66,272	331,766
Income tax expense	5,736,272	2,512,919
Less: Cyprus income tax paid during the year	(1,371,789)	(231,297)
	4,364,483	2,281,622
Brought forward balance from non-resident branch	7,370	7,370
Current tax liability	4,371,853	2,288,992

(b) During the year 2016, as a result of several transactions derived from the special and non-conventional deals arrangement with the Central Bank of Lebanon, the Group received a surplus recorded under "Regulatory deferred liability". In accordance with the Central Bank of Lebanon Intermediary Circular number 446 dated December 30, 2016, the Bank appropriated an amount of LBP24.11billion to offset currency translation losses resulting for the investment in an associate up to December 31, 2019 (Note 13).

As a result of the loss of significant influence over the associate and change in classification of the investment (Note 13), the Group reversed the regulatory deferred liability in the amount of LBP16.8billion and LBP7billion to retained earnings and change is fair value of investment at fair value through other comprehensive income, respectively.

As of December 31, 2020 the Group no longer exercise any significant influence on its investee as a result of the exit from both direct and indirect representation of the Board of Directors of the investee. As a result, investment in an associate has been reclassified to an investment at fair value through other comprehensive income (Note 13) and the regulatory deferred liability in the amount of LBP24.11billion which was formerly used to offset the currency translation adjustment resulting from the Group's investment in the non-resident associate was offset up to 70% against retained earnings in the amount of LBP16.87billion and up to 30% against cumulative change in fair value of investment classified at fair value through other comprehensive income as per BDL circular 544.

(c) Based on decision No. 245 dated June 7, 2020, published on November 12, 2020 in the official gazette and article 20 of the budget law No. 6, a 2% lumpsum tax on banks, financial institutions and brokerage firms turnover for the year 2019 is imposed with an effective date in year 2020. The new tax amounted to LBP4.12billion as at December 31, 2020

(d) Sundry accounts payable include dormant customers' accounts in the Limassol Branch with aggregate balances of LBP2.5billion (USD1,425,196 and EUR182,950) transferred to Beirut during 2020 to be settled in transferrable funds when claimed by the related customers.

(e) Other taxes payable include the 7% taxes payable by the Group on credit interest accounts, which increased to 10% effective August 1, 2019.

The Bank's tax returns for fiscal years 2015 to 2020 remain subject to review and assessment by the tax authorities. Any additional liability depends on the outcome of these reviews.

The tax returns of the Group's Lebanese subsidiaries since fiscal year 2015 remain subject to review and assessment by the tax authorities. Any additional liability depends on the outcome of these reviews.

22. PROVISIONS

Provisions consist of the following:

	December 31,	
	2020	2019
	LBP'000	LBP'000
Provision for employees' end-of-service indemnities	4,098,820	2,967,570
Provision for contingencies	398,597	2,002,809
Provision for loss on foreign currency position	285,654	285,654
Provision for expected credit losses (Note 36)	103,059	59,421
	4,886,130	5,315,454

The movement of provision for staff end-of-service indemnity is as follows:

	2020	2019
	LBP'000	LBP'000
Balance January 1	2,967,570	4,201,680
Additions/(write-back) (Note 37)	1,275,399	(864,354)
Settlements	(148,437)	(354,883)
Exchange difference	4,288	(14,873)
Balance December 31	4,098,820	2,967,570

The movement of the provision for contingencies was as follows:

	2020 LBP'000	2019 LBP'000
Balance January 1	2,002,809	2,199,512
Additions	625,613	196,585
Write-back	(2,229,825)	(393,288)
Balance December 31	398,597	2,002,809

During the year 2020, the Group wrote-back provisions that were set-up in previous years for unforeseen liabilities and contingencies.

23. SUBORDINATED BONDS

This caption consists of the following:

	December 31,	
	2020 LBP'000	2019 LBP'000
Subordinated bonds	90,450,000	90,450,000
Accrued interest	1,139,918	-
	91,589,918	90,450,000

The exceptional general assembly of shareholders approved in its meeting held on September 5, 2017 the issuance of subordinated bonds in the amount of USD35million divided into 3,500 bonds of USD10,000 nominal value each. These bonds were issued on December 7, 2017, mature on January 4, 2024, and are subject to an annual interest of 7% payable on June 30 and December 31 of each year.

The exceptional general assembly of shareholders approved in its meeting held on October 24, 2014 the issuance of subordinated bonds in the amount of USD25million divided into 2,500 bonds of USD10,000 nominal value each. These bonds were issued on December 15, 2014 and mature on January 4, 2021 and are subject to an annual interest rate of 6% payable on December 31 and June 30 of each year.

Interest expense on subordinated bonds for the year ended December 31, 2020 amounting to LBP5.97billion is recorded under "Interest expense" in the consolidated statement of profit or loss (LBP5.95billion for the year ended December 31, 2019) (Note 31).

In accordance with banking laws and regulations, subordinated bonds are considered as Tier II capital for the purposes of computation of Risk Based Capital Ratio, to be amortized over a period of 5 years till maturity.

24. SHARE CAPITAL

In its meeting held on June 25, 2019 the Board of Directors ratified the increase of the Bank's capital as resolved by the Extraordinary General Assembly of Shareholders in their meeting held on May 6, 2019 whereby the Bank's capital increased by LBP 15,562,000,000 from LBP62,248,000,000 to LBP77,810,000,000 and this by transferring the equivalent amount of the increase from the retained earnings account to the capital and by issuing 15,500,000 nominal shares of LBP1,004 each, distributed to the shareholders each according to their percentage of ownership in the Bank's capital.

Pursuant to the issuing of Central Bank of Lebanon Intermediate Circular No. 532 on November 4, 2019, the general assembly held on March 2, 2020 approved the increase of the Bank's capital by 10% of Common Equity Tier One calculated as of December 31, 2018 through cash contributions in US Dollars in the amount of USD14,370,000 to be followed by a second increase of the Bank's capital by 10% through cash contributions before end of year 2019.

The Bank's capital as at December 31, 2020 and 2019 is composed of 77,500,000 issued shares of LBP1,004 each authorized and fully paid and divided as follows:

- Listed Shares : 51,400,000
- Unlisted Shares : 26,100,000

The movement of treasury shares during 2020 and 2019 was as follows:

	2020		2019	
	# of Shares	Amount LBP'000	# of Shares	Amount LBP'000
Balance - January 1	1,315,415	3,679,126	1,025,131	3,619,239
(Disposal)/acquisition, net	(11,857)	(24,386)	31,501	59,887
Distribution	-	-	258,783	-
Balance - December 31	1,303,558	3,654,740	1,315,415	3,679,126

25. PREFERRED SHARES

On December 19, 2013, the Group issued Non-cumulative Perpetual Preferred Shares in the amount of USD35million (LBP52billion) on the basis of 350,000 shares at USD100. The Group offered discounts to preferred shares subscribers for the aggregate amount of USD80,960 (LBP122million). These preferred shares generate dividends at an annual rate of 7%.

26. SHAREHOLDERS' CASH CONTRIBUTION TO CAPITAL

The shareholders' cash contribution to capital for the amount of LBP29billion (USD19,306,788) as at December 31, 2019 represents cash injections made the shareholders in the form of shareholders' cash contribution to capital, each to the extent of his/her shareholding in the Bank's equity. Effective 2011, the General Assembly of shareholders approved to call-off interest on the above cash contribution to capital.

During 2020, the Bank followed the requirements of the 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 which was later extended to February 28, 2021. The Bank's Extraordinary General Assembly of shareholders held on March 2, 2020 called the first payment of cash contribution from shareholders in the amount of USD14,370,000 (C/V LBP21.67billion) subject to a yearly interest of 7% payable from unrestricted profits after securing the approval of the Central Bank of Lebanon. The Bank accrued for the interest on the new cash contribution in the amount of LBP1.13billion as at December 31, 2020 recorded under other liabilities (Note 21).

On November 30, 2020, the Bank's Extraordinary General Assembly of shareholders called the second payment of cash contribution from shareholders in the amount of USD12,935,000 (C/V LBP19billion) subject to a yearly interest of 3% payable from unrestricted profits after securing the approval of the Central Bank of Lebanon. The second payment of cash contribution to capital was approved by the Central Bank of Lebanon subsequent to the report date during March 2021. Accordingly, an amount of BP29billion which will be allocated for the second payment of the shareholder's cash contribution to capital in alignment with Central Bank of Lebanon intermediate circular 532 is recorded in an escrow account under customers and related parties accounts at amortized cost as at December 31, 2020 (Note 19).

In light of the above, cash contribution to capital amounted of LBP51billion as at December 31, 2020 (LBP29billion as at December 31, 2019).

This sort of financial instrument is accounted for in foreign currency and therefore allows hedging against national currency exchange fluctuation. According to local banking regulations, cash contribution to share capital is considered as Tier I capital.

27. RESERVES

	December 31,	
	2020	2019
	LBP'000	LBP'000
Legal reserve (a)	14,380,571	14,410,572
Free reserves	10,590,677	11,449,314
Non-distributable reserve	44,210,825	43,352,187
Reserve for assets acquired in satisfaction of loans (Note 14)	1,441,166	1,228,166
	70,623,239	70,440,239

(a) In accordance with the requirements of the Lebanese Money and Credit Law, the Group transfers since its inception 10% of its net income to the legal reserve account. This reserve is not available for distribution.

28. PROFIT FOR THE YEAR

The consolidated profit for the year is allocated as follows between the Bank and its subsidiaries:

	Year Ended December 31, 2020		
	Group's Share LBP'000	Non-Controlling Interests LBP'000	Total LBP'000
Profit of the Bank	1,477,192	-	1,477,192
Profit/(loss) of subsidiaries:			
Bemo Securitization S.A.L.	17,660	-	17,660
Depository and Custody Company S.A.L.	16,967	3	16,970
Bemo Investment Firm Ltd.	140,518	-	140,518
Total	1,652,337	3	1,652,340

	Year Ended December 31, 2019		
	Group's Share LBP'000	Non-Controlling Interests LBP'000	Total LBP'000
Profit of the Bank	(12,373,515)	-	(12,373,515)
Profit/(loss) of subsidiaries:			
Bemo Securitization S.A.L.	(190,971)	-	(190,971)
Depository and Custody Company S.A.L.	49,848	50	49,898
Bemo Investment Firm Ltd.	161,846	-	161,846
Total	(12,352,792)	50	(12,352,742)

29. DIVIDENDS PAID

	2020 LBP'000	2019 LBP'000
USD7 per preferred share paid by the Bank in 2019	-	3,693,375
	-	3,693,375

30. INTEREST INCOME

	Year Ended December 31,	
	2020	2019
	LBP'000	LBP'000
Term deposits with central banks (Note 5)	63,796,880	59,647,411
Deposits with banks and financial institutions	4,535,597	5,682,968
Deposits with related party banks and financial institutions	793,924	234,519
Financial assets at amortized cost	24,905,791	35,074,280
Financial assets at fair value through other comprehensive income	3,569,167	7,096,070
Loans and advances to customers	40,868,867	83,320,948
Loans and advances to related parties	21,938	47,504
Interest realized on impaired loans and advances to customers (Note 9)	1,185,701	614,622
	139,677,865	191,718,322
Withheld taxes (Note 3W)	(10,677,089)	(8,450,824)
	129,000,776	183,267,498

Interest income on the Group's trading portfolio is included under "Net interest and other gains/(losses) on financial assets at fair value through profit or loss" (Note 34).

31. INTEREST EXPENSE

	Year Ended December 31,	
	2020	2019
	LBP'000	LBP'000
Interest expense on:		
Borrowings from Central Bank of Lebanon (Note 20)	396,223	268,168
Deposits and borrowings from banks and financial institutions	3,890,655	8,277,615
Deposits and borrowings from related party banks and financial institutions	4,278,149	7,081,557
Customers' accounts at amortized cost	49,833,552	99,495,614
Related parties' accounts at amortized cost	107,175	1,561,231
Shareholders' cash contribution to capital (Note 26)	1,262,969	-
Subordinated bonds (Note 23)	5,970,939	5,954,625
Interest expense –lease liability (Note 8)	195,027	288,945
	65,934,689	122,927,755

32. FEE AND COMMISSION INCOME

	Year Ended December 31, 2020 LBP'000	Year Ended December 31, 2019 LBP'000
Commission on documentary credits	420,736	871,207
Commission on letters of guarantee	1,310,455	1,516,274
Commission on other customers' transactions	11,011,382	1,186,025
Service fees on customers' transactions	7,223,573	5,092,531
Other	387,602	563,738
	20,353,748	9,229,775

Commission on other customers' transactions for the year 2020 in the amount of LBP11billion, represents commissions earned on clients' cash and foreign currency transactions for debt settlement and other purposes.

33. FEE AND COMMISSION EXPENSE

	Year Ended December 31, 2020 LBP'000	Year Ended December 31, 2019 LBP'000
Commission on transactions with banks and financial institutions	228,980	75,259
Commission on transactions with related party banks	34,256	-
Other	513,611	249,913
	776,847	325,172

34. NET INTEREST AND OTHER GAINS / (LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year Ended December 31, 2020 LBP'000	Year Ended December 31, 2019 LBP'000
Dividends received on equity securities	3,770	623,557
Interest received on debt securities	40,866	161,412
Unrealized gain (Note 7)	596,152	25,047
Realized (loss)/gain	(12,218)	1,509,966
	628,570	2,319,982

35. OTHER OPERATING INCOME/(LOSS), (NET)

	Year Ended December 31, 2020 LBP'000	2019 LBP'000
Share in profit of an associate (Note 13)	-	2,026,661
Revenues and commissions from securitization operations	5,983,426	2,520,569
Realized loss from sale of assets at fair value through other comprehensive income	-	(1,857,681)
Other	127,648	31,876
	6,111,074	2,721,425

36. PROVISION FOR EXPECTED CREDIT LOSSES, NET

	Deposits with central banks	Deposits with banks and financial institutions	Loans and advances to customers	Financial assets classified at amortized cost	Financial assets at fair value through other comprehensive income	Acceptances	Other assets	Indirect and unutilized facilities	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Balance as of January 1, 2019	1,891,849	375,311	14,495,295	2,450,349	471,478	60,760	897,500	207,434	20,849,976
Additions	14,242,947	-	22,478,594	10,290,821	830,132	-	231,347	-	48,073,841
Write-back	-	(199,206)	-	-	-	(1,755)	-	(148,013)	(348,974)
Balance as of December 31, 2019	16,134,796	176,105	36,973,889	12,741,170	1,301,610	59,005	1,128,847	59,421	68,574,843
Additions	2,066,300	131,804	25,879,049	4,615,524	-	-	263,226	43,638	32,999,541
Write-back	-	-	-	-	-	(32,364)	-	-	(32,364)
Write-off	-	-	-	-	(1,301,610)	-	-	-	(1,301,610)
Balance as of December 31, 2020	18,201,096	307,909	62,852,938	17,356,694	-	26,641	1,392,073	103,059	100,240,410

37. STAFF COSTS

	Year Ended December 31,	
	2020	2019
	LBP'000	LBP'000
Salaries and related charges	23,128,800	20,541,652
Social security contributions	3,021,828	2,188,633
Provision/(write-back of provision) for employees' end-of-service indemnities (net) (Note 22)	1,275,399	(864,354)
	27,426,027	21,865,931

38. ADMINISTRATIVE EXPENSES

	Year Ended December 31,	
	2020	2019
	LBP'000	LBP'000
Travel and entertainment	101,284	385,317
Advertisement and publicity	1,451,786	1,065,336
Professional fees	3,459,136	3,242,186
Maintenance and repairs	2,167,807	1,848,335
Electricity and fuel	397,537	451,979
Telephone expenses	474,838	476,620
Printing and stationary	580,288	326,455
Rent and building services	1,082,161	786,226
Insurance	529,798	426,516
Subscriptions	2,198,315	1,789,556
Gifts and donations	351,645	293,837
Attendance fees	425,228	340,587
Fees and taxes	888,523	1,361,516
Other	2,096,773	2,389,772
	16,205,119	15,184,238

39. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year.

The following table shows the income and share data used in the basic earnings per share calculation:

	2020 LBP'000	2019 LBP'000
Number of common shares outstanding during the year	77,500,000	77,500,000
Weighted average number of treasury shares	(1,326,134)	(1,176,289)
Weighted average number of common shares adjusted for the effect of treasury shares	76,173,866	76,323,711

	2020 LBP'000	2019 LBP'000
Net profit/(loss) attributable to equity holders of the Group	1,652,337	(12,352,792)
Net (loss)/profit attributable to equity holders of the Group	1,652,337	(12,352,792)
Basic earnings per share in LBP	21/69	-
Diluted earnings per share in LBP	21/69	-

40. 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 Group 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 financial position. However, documentary and commercial letters of credit, which represent written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments documents of goods to which they relate and, therefore, have significantly less risks.

Forward exchange contracts outstanding as of December 31, 2020 and 2019 represent positions held for customers' accounts and at their risk. The Group entered into such instruments to serve the needs of customers.

41. FIDUCIARY DEPOSITS

	December 31,	
	2020	2019
	LBP'000	LBP'000
Fiduciary deposits from customers invested in other banks	2,018,030	7,243
Fiduciary deposits for wealth management	8,933,545	23,764,720
Fiduciary deposits from customers invested in loans granted to other customers	382,302	8,667,132
	11,333,877	32,439,095

42. BALANCES / TRANSACTIONS WITH RELATED PARTIES

In the ordinary course of its activities, the Group conducts transactions with related parties including shareholders, directors, subsidiaries and associates. Balances with related parties excluding accrued interest and balances eliminated on consolidation consist of the following:

	December 31,	
	2020	2019
	LBP'000	LBP'000
Shareholders, directors and other key management personnel and close family members:		
Direct facilities and credit balances:		
Secured loans and advances	879,538	876,598
Unsecured loans and advances	98,990	78,739
Deposits	14,055,933	11,250,251
Associated companies:		
Direct facilities and credit balances:		
Unsecured loans and advances	727,836	14,248
Deposits	29,833,718	38,625,523
Indirect facilities:		
Letters of guarantee	2,385,049	94,842

Interest rates charged on balances outstanding are the same as applicable rates that would be charged in an arm's length transaction. Secured loans and advances are covered by real estate mortgages to the extent of LBP995million as at December 31, 2020 (LBP995million and LBP25million respectively as at December 31, 2019).

The remuneration of executive management team amounted to LBP7.17billion during 2020 (LBP6.3billion during 2019).

43. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purpose of the cash flows statement consist of the following:

	December 31, 2020 LBP'000	December 31, 2019 LBP'000
Cash	36,083,885	14,266,307
Current accounts with central banks (excluding compulsory reserve)	1,390,642,053	208,009,917
Term placements with Central Bank of Lebanon	278,888,375	97,233,750
Checks for collection and current accounts with banks and financial institutions	22,306,100	76,057,144
Term placements with banks and financial institutions	2,875,289	31,652,660
	1,730,795,702	427,219,778

Term placements with central banks and banks and financial institutions represent inter-bank placements with an original term of 90 days or less.

44. COLLATERAL GIVEN

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

	December 31, 2020		
	Pledged Amount LBP'000	Nature of Facility	Amount of Facility LBP'000
Deposits with banks and Financial institutions	13,956,781	Forward contracts	104,361,639
		Options and swaps	-
	13,956,781	Acceptances less than one year	11,584,624

	December 31, 2019		
	Pledged Amount LBP'000	Nature of Facility	Amount of Facility LBP'000
Deposits with banks and Financial institutions	35,020,569	Forward contracts	145,167,226
		Options and swaps	34,880,590
	35,020,569	Acceptances less than one year	247,938

45. CAPITAL MANAGEMENT

The adequacy of the group'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 Group.

The following are the applicable regulatory capital ratios:

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

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

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 Group applied the following ECL levels on exposures to Lebanese sovereign and Central Bank in these financial statements as at December 31, 2020: - Central Bank exposures in foreign currencies: **1.01%** - Central Bank exposures in Lebanese Pound: **0%** - Sovereign exposures in foreign currencies: **19.62%** - Sovereign exposures in Lebanese Pound: **0%**

Key regulatory changes:	
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 26, the Bank's Extraordinary General Assembly of shareholders held on March 2, 2020 & November 30, 2020 called the required 20% Equity increase in the form of additional cash contribution from shareholders for the amount of USD27million (LBP41.16billion). Up to December 31, 2020, the Bank's shareholders secured USD27million (LBP41.16billion) in the form of cash contribution of which: (i) USD14.3million (LBP21.6billion) was approved by BDL and included in the Equity (ii) USD12.9million (LBP19.5billion) is still pending BDL approval .
Banks can include the revaluation surplus of real estate properties in Common Equity Tier I capital instead of 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.	During 2020, the Group did not reevaluate its real estate properties and no new revaluation surplus were considered in the Group's equity. However, its existing approved revaluation surplus of real estate properties for LBP16.9billion was included in the Group's Common Tier I as at December 31, 2020 which was included in Tier II for LBP8.9billion as at December 31, 2019. • No dividends were distributed during the year. • The Group did not draw down its capital conservation buffer as at December 31, 2020.
Banks should refrain from dividend distribution, should capital adequacy ratios fall below 7% for common equity Tier I ratio; 10% for tier I ratio; and 12% for total capital ratio. 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.	
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 application of these exceptional measures as at December 31, 2020 led to the increase of the Group's level of Common Equity Tier I by LBP20.9billion and to the decrease of its Tier II by LBP6.4billion compared to December 31, 2019.

The Group's consolidated capital adequacy ratio was as follows:

	December 31,	
	2020	2019
	LBP Million	LBP Million
Common Equity Tier I	242,520	132,891
Additional Tier I capital	74,305	52,642
Tier II Capital	71,550	83,319
Total regulatory Capital	388,375	268,852
Credit risk	2,768,628	2,446,544
Market risk	26,879	27,164
Operational Risk	177,086	147,726
Risk-weighted assets and risk-weighted off-balance sheet items	2,972,591	2,621,434
Common Equity Tier I Ratio	8.16%	5.07%
Tier I capital Ratio	10.66%	7.08%
Risk based capital ratio - Tier I and Tier II capital	13.07%	10.26%

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

Banks are required to submit to the Banking Control Commission of Lebanon (BCCL) a comprehensive plan, reflecting the Groups' 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. The Group has submitted to the BCCL during January 2021 its plan as approved by its Board of Directors on December 17, 2020.

46. SEGMENT INFORMATION

The Group's operating segments are organized as follows: Lebanon and subsidiaries.

Measurement of segment assets, liabilities, income and expenses is based on the Group's accounting policies.

Segment income and expenses include transfers between segments and these transfers are conducted on arm's length terms and conditions. Shared costs are included in segments on the basis of the actual recharges made, if any.

The Group has two reportable business segments which reflect the basis on which senior management reviews operations:

	December 31, 2020			December 31, 2019		
	Lebanon and Middle East LBP'000	Cyprus LBP'000	Inter-Segment LBP'000	Lebanon and Middle East LBP'000	Cyprus LBP'000	Inter-Segment LBP'000
Total Assets	3,405,071,301	146,374,550	(66,550,705)	2,389,360,637	222,743,681	(51,792,994)
Total Liabilities	3,057,069,908	132,551,720	-	2,106,752,794	206,566,437	-
Total Equity	348,001,393	13,822,830	(66,550,705)	282,607,843	16,177,244	(51,792,994)
Profit for the year	3,720,551	(1,252,172)	(816,039)	(13,804,067)	1,451,325	-
Assets						
Cash and central banks	2,149,222,835	70,709,113	-	929,822,279	2,156,920	-
Deposits with banks and financial institutions	104,681,532	70,313,341	(66,550,705)	113,282,653	82,241,212	(51,792,994)
Financial assets at fair value through profit or loss	10,834,367	47,068	-	10,389,767	60,138,308	-
Loans and advances to customers and related parties	590,366,729	4,655,009	-	803,034,526	4,112,310	-
Investment securities	430,655,222	-	-	388,872,987	72,553,171	-
Customers' liability under acceptances	11,506,397	51,586	-	19,281,543	994,307	-
Investment in associate	-	-	-	23,974,070	-	-
Assets acquired in satisfaction of loans	2,907,009	-	-	4,221,423	-	-
Property and equipment	76,889,160	406,737	-	75,174,320	472,339	-
Assets under finance lease	1,963,010	-	-	3,182,393	-	-
Intangible assets	700,746	8,914	-	715,176	13,959	-
Other assets	25,344,294	182,782	-	17,409,500	61,155	-
Liabilities						
Deposits and borrowings from banks	404,018,767	7,348,530	-	321,040,017	11,598,104	-
Other borrowings	21,886,586	-	-	13,391,505	-	-
Customers' accounts at amortized cost	2,481,411,184	121,213,448	-	1,635,884,026	193,470,925	-
Acceptance liability	11,533,038	51,586	-	19,328,742	994,307	-
Finance lease liability	2,446,066	-	-	3,066,667	-	-
Other liabilities	39,354,260	3,882,115	-	18,323,918	455,566	-
Provisions	4,830,089	56,041	-	5,267,919	47,535	-
Subordinated bonds	91,589,918	-	-	90,450,000	-	-

	December 31, 2020			December 31, 2019		
	Lebanon and Middle East LBP'000	Cyprus LBP'000	Inter-Segment LBP'000	Lebanon and Middle East LBP'000	Cyprus LBP'000	Inter-Segment LBP'000
Interest income	137,880,906	9,967,255	(8,170,296)	183,775,542	11,208,276	(3,265,496)
Tax on interest	(10,677,089)	-	-	(8,450,824)	-	-
Interest expense	(64,975,484)	(9,129,501)	8,170,296	(116,808,467)	(9,384,784)	3,265,496
Net interest income	62,228,333	837,754	-	58,516,251	1,823,492	-
Fee and commission income	20,010,073	343,675	-	9,001,742	228,033	-
Fee and commission expense	(767,052)	(9,795)	-	(289,425)	(35,747)	-
Net fee and commission income	19,243,021	333,880	-	8,712,317	192,286	-
Net interest and other gain on trading assets at fair value through profit and loss	1,096,454	(467,884)	-	1,332,679	987,303	-
Gain on exchange	643,387	12,426	-	4,739,226	(9)	-
Other operating income, (net)	5,142,876	968,198	-	2,707,665	13,760	-
Net financial revenues	88,354,071	1,684,374	-	76,008,138	3,016,832	-
Provision for credit losses (net)	(30,746,585)	(1,404,553)	(816,039)	(47,774,623)	49,756	-
Net financial revenues after net charge	57,607,486	279,821	(816,039)	28,233,515	3,066,588	-
Staff costs	(26,950,439)	(475,588)	-	(21,468,299)	(397,632)	-
Administrative expenses	(15,200,627)	(1,004,492)	-	(14,317,216)	(867,022)	-
Depreciation and amortization	(2,427,894)	(72,322)	-	(2,564,421)	(64,068)	-
Depreciation of right of use	(1,280,018)	-	-	(1,279,629)	-	-
Other income	1,802,268	41,456	-	(181,639)	-	-
	(44,056,710)	(1,510,946)	-	(39,811,204)	(1,328,722)	-
Profit before income tax	13,550,776	(1,231,125)	(816,039)	(11,577,689)	1,737,866	-
Income tax expense	(9,830,225)	(21,047)	-	(2,226,378)	(286,541)	-
Profit for the year	3,720,551	(1,252,172)	(816,039)	(13,804,067)	1,451,325	-

47. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established a risk management department and various committees to develop and monitor the Group's risk management policies and their implementation.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Regular review of risk management policies and systems to reflect changes in market conditions, products and services offered is the responsibility of the various committees and the Board of Directors. The Group, through its management standards and procedures, aims to develop a disciplined control environment, in which employees understand their roles and obligations.

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 Group. The Group's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers and other Groups, and investments in debt securities that are an asset position. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

1. Management of credit risk

The Group's Board of Directors through its Board Risk Committee is responsible for the Group's credit risk management framework and ensures that the credit risk function is independent and has appropriate resources and practices, including an effective system of internal control, in order to maintain the Group's credit risk exposure within limits set by the Board, in line with the credit risk policy and in compliance with supervisory requirements.

Credit risk main activities include but are not limited to the following:

- Ensuring a robust governance framework for all credit decisions (initial approval and reviews) is in place and properly abided by;

- Identifying credit risks through the systematic review of all credit requests and investments carrying credit risks and issuing recommendations to the relevant committees (credit committee, ALCO...);

- Assessing and measuring credit risk at the level of individual exposures as well as on the level of the overall portfolio;

- Proposing mitigation techniques to cover for identified credit risks such as obtaining collateral, or diversifying the exposure at various levels (type of assets, maturities, industries, geographic location…);

- Monitoring on a continuous basis all exposures through various daily and periodic control reports;

- Establishing a grading system to rate exposures according to the credit risk (default risk) they carry, and periodically reviewing and updating them;

- Developing the Group's methodology for IFRS 9 application and the measurement of the ECL at the level of all exposures carrying a credit risk;

- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

2. ***Measurement of credit risk***

The Group recognizes expected credit loss allowances on the following financial instruments that are not measured at FVTPL:

1- Financial assets that are debt instruments.

2- Financial guarantee contracts issued.

3- Loan commitments issued.

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

a. Financial assets measured at amortized cost, as a deduction from the gross carrying amount.

b. Loans commitments, as a provision.

c. Debt securities measured at FVOCI, no loss allowance is recognized in the SFP because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

The Group measures the loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

a. Debt investment securities that are determined to have low credit risk at the reporting date.

b. Other financial instruments on which credit risk has not increased significantly since their initial recognition.

Loans and advances

The Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL.
In order to determine a significant increase in credit risk, requiring considering a downgrade of the exposure from Stage 1 to Stage 2, the Group looks at the following quantitative and qualitative criteria:

- Financial figures and ratios: the unavailability of financial statements over a period of more than three consecutive years leads to an automatic downgrade of the file to stage 2. In addition a review of financial statements showing a business activity deterioration and/or increased leverage and/or consecutive losses, and/or capital erosion and/or inability to generate sufficient cash flow could determine a staging downgrade to 2, subject to credit committee approval.

- Credit rating: a downgrade of the credit file to "follow-up and regularization (3)" indicates a warning signal and suggests a significant increase in credit risk. Accordingly a downgrade of the credit file rating to "3" as per the supervisory classification automatically triggers a downgrade from Stage 1 to Stage 2.

- Delays in repayment: delays in payment are an important indicator of the client's financial situation and his repayment ability. For corporate and SMEs, the Group adopts a 60-days past due rule, whereby delays in repayment for more than 60 days are submitted for review to the credit committee. A shift to stage 2 is subjected to the credit committee's review and decision based on a detailed individual analysis and the use of experienced credit judgment. It is to be noted that the 30-days past due presumption applied under IFRS 9 as an assumption to a significant increase in credit risk is rebutted mainly as a result of the Group's type of exposure where the retail segment is not significant; and based on historical experience in recovering associated debt .

- Account turnover: For non-committed facilities such as overdrafts, the Group looks at the account movement in order to determine the staging of the credit file; whereby an account movement below 50% of the facility amount within a one year period of time, is submitted for review to the credit committee. A shift to stage 2 is subjected to the credit committee's review and decision based on a detailed individual analysis and the use of experienced credit judgment.

- Rescheduling/restructuring: the rescheduling and restructuring of facilities are treated as a warning signal indicating a decrease in the client's creditworthiness. A downgrade to Stage 2 is considered upon the first rescheduling/restructuring of facilities. A second rescheduling/restructuring will automatically trigger a downgrade from Stage 1 to Stage 2.

- Reputational risk: a borrower subject to lawsuits or any type of reputational damage that could affect their financial and/or business position and subsequently their repayment ability is submitted for review to the credit committee. A shift to stage 2 is subjected to the credit committee's review and decision based on a detailed individual analysis and the use of experienced credit judgment.

- Systemic and forward looking criteria: The criteria includes a combination of forward looking information on the macroeconomic level, commercial sector and geographical region. Qualitative criteria is looked at on an individual basis upon the usual annual file renewals and more frequently, on a collective basis whenever deemed necessary based on market, economic, political updates and conditions.

A shift to Stage 2 is considered whenever one or more of the aforementioned criteria is met; the basis for determining a significant increase in credit risk is the credit risk rating at the date of initial recognition. i.e.: a significant increase in credit risk as compared to the credit risk profile at the date of initial recognition, triggers a staging downgrade.

<table>
<tr><th>Group's Classification</th><th>Loan Quality</th><th>IFRS9 Stages</th></tr>
<tr><td>Excellent (A+)</td><td rowspan="7">Performing Loans</td><td rowspan="5">Stage 1
Performing</td></tr>
<tr><td>Strong (A+)</td></tr>
<tr><td>Good (A)</td></tr>
<tr><td>Satisfactory (A)</td></tr>
<tr><td>Adequate (A-)</td></tr>
<tr><td>Marginal (B)</td><td rowspan="2">Stage 2
Under-Performing</td></tr>
<tr><td>Vulnerable (B-)</td></tr>
<tr><td>Substandard (C)</td><td rowspan="3">Non- Performing Loans</td><td rowspan="3">Stage 3
Under-Performing</td></tr>
<tr><td>Doubtful (D)</td></tr>
<tr><td>Bad (E)</td></tr>
</table>

Impairment Methodology
The impairment methodology adopted by the Group is based on two approaches being:

- The collective assessment approach using historical write-offs. The Group's calculated Average Weighted Annual Loss Rate over the past 10 years is 0.05% and it is adjusted by adding a current conditions perspective and a forward-looking perspective on impairments.

- The individual assessment approach where the expected credit loss is determined on a single borrower basis using the PD model and following the formula: ECL = PD X LGD X EAD

When ECL is measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as:

- instrument type;

- collateral type;

- industry;

- geographic location of the borrower;

When ECL is measured on an individual basis the following is applied:

- Loans and advances classified at stage 1: the individual assessment only applies to facilities that exceed USD 10 million;
- Loans and advances classified at stage 2: only individual assessments is applied;
- Loans and advances classified at stage 3: specific provisions are booked based on discounting the real guarantees after applying a percentage of haircut.

1- Probability of Default

Files that are individually assessed, are analyzed based on one of the three S&P scoring models used to assess borrowers' probability of default.

The three S&P scorecards used by the Group are the following:

- Generic corporate model
- Real estate developers model
- High networth individuals model

The above models are used to define a borrower credit risk score on a scale from one to ten, which is mapped to S&P rating scales, to the Group's internal rating scale and to probabilities of default as follows:

Rating	S&P PD%	Group's Credit Risk Grades
1	0.005	Excellent (A+)
1.5	0.008	
2	0.014	
2.5	0.03	
3	0.051	Strong (A+)
3.5	0.072	Good (A+)
4	0.105	Satisfactory (A)
4.5	0.159	
5	0.222	
5.5	0.342	
6	0.489	
6.5	0.81	
7	1.3	Adequate (A-)
7.5	2.55	
8	5.16	
8.5	7.59	
8.75	10.3	
9	13.97	Marginal (B)
9.25	18.95	
9.5	25.71	
9.75	34.87	
10	47.3	Vulnerable (C)
10	64.16	Doubtful (D)
	100	Loss (E)

The above probabilities of default are used in the calculation of the 12-months expected credit loss.

For stage 2 the standard PD applied is set at a minimum of 13.97%. It is to be noted that the Group grants short to medium term loans only and the Group may assume that default rate does not change during the lifetime of the loan; however for conservative purposes, the Group assumed that PDs are expected to follow an incremental increase through the lifetime of the loan. A simple extrapolation technique is used where the 12-month PD is increased by a fixed 5% every year.

2- Loss Given Default

In addition to the borrower risk assessment, a facility risk assessment taking into consideration available collateral and guarantees is performed in order to determine the expected credit loss. For exposures without collateral, the LGD ratio of 45% prescribed by the BIS is applied. However for conservative purposes, the Group considers the claims on SME and retail classified clients as a subordinated claim and applies a 75% LGD on it. The following simplified LGD calculation is applied: LGD = 0.45 (or 0.75) – Recovery Rate. The RR is determined by the following formula: Value of collateral / Value of the exposure.

3- Exposure at Default

The exposure at default includes direct and indirect exposures at the reporting date in addition to any undrawn commitments. For indirect exposures and undrawn commitments a risk weight of 50% is applied to determine the exposure at default; noting that this methodology was suggested by the regulators. In addition to the above collective and individual assessments, the Group developed analysis, macro level and industry specific forecasts scenarios to adjust the ECL calculation by adding to it current and forward looking approaches

Netting arrangements

The Group 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.

3. ***Risk mitigation policies***

Collateral:

The Group 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
- Financial instruments (equities and debt securities)
- Business other assets (such as inventories and accounts receivable)

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

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

The tables below reflect the Group's exposure to credit risk by counterparty segregated between the categories of financial assets:

(a.1) Deposits with banks and financial institutions (excluding accrued interest and provision for expected credit losses):

	December 31, 2020	
Bracket	**Total Amount**	**% to Total Deposits**
	LBP'000	**%**
Less than LBP5billion	32,258,736	29.66
From LBP5billion to LBP15billion	36,210,079	33.30
Over LBP15billion	40,281,554	37.04
	108,750,369	100.00

	December 31, 2019	
Bracket	**Total Amount**	**% to Total Deposits**
	LBP'000	**%**
Less than LBP5billion	35,240,940	24.50
From LBP5billion to LBP15billion	51,407,121	35.73
Over LBP15billion	57,212,937	39.77
	143,860,998	100.00

(a.2) **Loans and advances to customers (excluding provision for expected credit losses and accrued interest):**

Bracket	No. of Counter Parties	Total Amount	% to Total
	December 31, 2020		
		LBP'000	%
Less than LBP500million	964	51,891,019	7.89
From LBP500million to LBP5billion	153	298,527,340	45.39
Over LBP5billion	33	307,313,005	46.72
	1,150	657,731,364	100.00

Bracket	No. of Counter Parties	Total Amount	% to Total
	December 31, 2019		
		LBP'000	%
Less than LBP500million	814	61,487,286	7.30
From LBP500million to LBP5billion	233	368,202,501	43.70
Over LBP5billion	37	412,787,242	49.00
	1,084	842,477,029	100.00

Below are the details of the Group's exposure to credit risk with respect to loans and advances to customers:

	December 31, 2020						
				Fair Value of Collateral Held			
	Carrying Amount LBP'000	Provision for Credit Losses LBP'000	Net Exposure LBP'000	Pledged Funds LBP'000	Property LBP'000	Equities LBP'000	Total LBP'000
Performing Accounts							
Regular Accounts	528,417,263	(20,389,949)	508,027,314	16,525,403	163,769,676	9,424,096	189,719,175
Past due but not impaired:							
Between 30-60 days	1,497,915	-	1,497,915	-	-	-	-
Between 60-90 days	5,516,755	-	5,516,755	-	-	-	-
Between 90-180 days	377,876	-	377,876	-	-	-	-
Beyond 180 days	7,790,704	-	7,790,704	-	-	-	-
Impaired:							
Substandard debts	89,181,311	(27,435,259)	61,746,052	-	47,048,321	-	47,048,321
Doubtful and bad debts	25,092,851	(15,027,730)	10,065,121	-	25,966,688	-	25,966,688
	657,874,676	(62,852,938)	595,021,738	16,525,403	236,599,564	9,424,096	262,734,184s

	December 31, 2019						
				Fair Value of Collateral Held			
	Carrying Amount LBP'000	Provision for Credit Losses LBP'000	Net Exposure LBP'000	Pledged Funds LBP'000	Property LBP'000	Equities LBP'000	Total LBP'000
Performing Accounts							
Regular Accounts	757,750,155	(8,966,387)	748,783,768	40,102,867	216,346,953	11,430,786	267,880,606
Past due but not impaired:							
Between 60-90 days	2,203,155	-	2,203,155	-	-	-	-
Between 90-180 days	3,989	-	3,989	-	-	-	-
Beyond 180 days	2,150,654	-	2,150,654	-	-	-	-
Impaired:							
Substandard debts	66,823,252	(19,621,250)	47,202,002	-	31,751,718	-	31,751,718
Doubtful and bad debts	15,189,520	(8,386,252)	6,803,268	-	12,723,300	-	12,723,300
	844,120,725	(36,973,889)	807,146,836	40,102,867	260,821,971	11,430,786	312,355,624

(b) Concentration of financial assets by industry or sector (excluding provisions for credit losses):

	December 31, 2020									
	Sovereign LBP'000	Financial Services LBP'000	Real Estate Development LBP'000	Manufacturing LBP'000	Consumer Goods Trading LBP'000	Real Estate Trading LBP'000	Services LBP'000	Private Individuals LBP'000	Other LBP'000	Total LBP'000
Balance sheet Exposure:										
Cash and deposits with central banks	2,238,133,044	-	-	-	-	-	-	-	-	2,238,133,044
Deposits with banks and financial institutions	-	108,752,077	-	-	-	-	-	-	-	108,752,077
Financial assets at fair value through profit or loss	25,032	134,855	-	313,869	-	-	9,962,530	-	445,149	10,881,435
Loans and advances to customers and related parties	-	1,413,651	112,245,173	122,390,183	282,056,358	2,325,183	39,109,957	98,334,171	-	657,874,676
Investment securities	170,715,254	274,160,179	-	-	3,136,483	-	-	-	-	448,011,916
Customers' liability under acceptances	-	-	-	11,529,088	55,536	-	-	-	-	11,584,624
Other financial assets	-	-	-	-	-	-	-	-	19,463,870	19,463,870
	2,408,873,330	384,460,762	112,245,173	134,233,140	285,248,377	2,325,183	49,072,487	98,334,171	19,909,019	3,494,701,642
Off-Balance sheet Risks:										
Documentary and commercial letters of credit	-	-	-	308,913	-	-	-	-	-	308,913
Guarantees and standby letters of credit	-	-	23,756,968	12,990,832	4,314,559	-	6,169,389	683,365	-	47,915,113
Forward Contracts	-	252,043,847	-	-	2,560,005	-	18,804,337	3,666,073	-	277,074,262

	December 31, 2019									
	Sovereign LBP'000	Financial Services LBP'000	Real Estate Development LBP'000	Manufacturing LBP'000	Consumer Goods Trading LBP'000	Real Estate Trading LBP'000	Services LBP'000	Private Individuals LBP'000	Other LBP'000	Total LBP'000
Balance sheet Exposure:										
Cash and deposits with central banks	948,113,995	-	-	-	-	-	-	-	-	948,113,995
Deposits with banks and financial institutions	-	143,906,976	-	-	-	-	-	-	-	143,906,976
Financial assets at fair value through profit or loss	60,389,732	8,782,991	-	311,043	-	1,044,309	-	-	-	70,528,075
Loans and advances to customers and related parties	-	13,250,079	189,848,664	130,527,706	322,032,153	50,814,361	134,869,345	2,778,417	-	844,120,725
Investment securities	447,764,869	2,098,307	-	-	18,394,363	5,909,789	-	-	-	474,167,328
Customers' liability under acceptances	-	763,032	107,650	15,465,085	3,999,088	-	-	-	-	20,334,855
Other financial assets	-	-	-	-	-	-	-	-	11,920,617	11,920,617
	1,456,268,596	168,801,385	189,956,314	146,303,834	344,425,604	57,768,459	134,869,345	2,778,417	11,920,617	2,513,092,571
Off-Balance sheet Risks:										
Documentary and commercial letters of credit	-	-	31,543	2,468,833	2,132,590	-	-	-	-	4,632,966
Guarantees and standby letters of credit	-	1,622,494	20,076,558	17,710,397	9,084,875	-	21,594,015	763,815	-	70,852,154
Forward Contracts	-	264,693,147	11,719,983	5,135,299	8,074,285	-	-	6,255,885	-	295,878,599

(c) Concentration of financial assets and liabilities by geographical area (excluding provision for expected credit losses):

	December 31, 2020					
	Lebanon	Middle East and Africa	Europe	North America	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS						
Cash and deposits with central banks	2,167,423,931	-	70,709,113	-	-	2,238,133,044
Deposits with banks and financial institutions	29,928,890	655,719	50,714,857	27,452,611	-	108,752,077
Financial assets at fair value through profit or loss	10,649,074	-	75,917	156,444	-	10,881,435
Loans and advances to customers and related parties	647,727,552	3,970,957	5,404,622	12	771,533	657,874,676
Investment securities	430,366,573	17,645,343	-	-	-	448,011,916
Customers' liability under acceptances	11,584,624	-	-	-	-	11,584,624
Other financial assets	18,069,215	-	184,268	-	1,210,387	19,463,870
Total assets	3,315,749,859	22,272,019	127,088,777	27,609,067	1,981,920	3,494,701,642
LIABILITIES						
Deposits and borrowings from banks and financial institutions	2,115,871	384,706,024	19,048,441	5,496,961	-	411,367,297
Customers' accounts at amortized cost including related parties	2,189,914,576	321,525,223	53,174,959	24,328,305	13,681,569	2,602,624,632
Acceptance liability	-	55,536	11,529,088	-	-	11,584,624
Other term borrowings	21,886,586	-	-	-	-	21,886,586
Lease Liability	2,446,066	-	-	-	-	2,446,066
Other financial liabilities	27,556,674	152,989	4,042,907	274,796	994,346	33,021,712
Subordinated bonds	91,589,918	-	-	-	-	91,589,918
Total liabilities	2,335,509,691	706,439,772	87,795,395	30,100,062	14,675,915	3,174,520,835
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK						
Documentary and commercial letters of credit	308,913	-	-	-	-	308,913
Guarantees and standby letters of credit	40,559,109	3,769	1,437,163	5,915,672	-	47,915,113
Forward Contracts	35,873,343	2,917,502	238,283,417	-	-	277,074,262

	December 31, 2019					
	Lebanon	Middle East and Africa	Europe	North America	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS						
Cash and deposits with central banks	945,957,075	-	2,156,920	-	-	948,113,995
Deposits with banks and financial institutions	57,040,130	-	51,055,409	35,221,849	589,588	143,906,976
Financial assets at fair value through profit or loss	10,318,368	-	170,718	60,038,989	-	70,528,075
Loans and advances to customers and related parties	820,331,360	9,743,447	6,799,345	7,233,569	13,004	844,120,725
Investment securities	473,241,858	-	24,671	-	900,799	474,167,328
Customers' liability under acceptances	17,553,668	-	2,781,187	-	-	20,334,855
Other financial assets	10,522,480	-	61,155	-	1,336,982	11,920,617
Total assets	2,334,964,939	9,743,447	63,049,405	102,494,407	2,840,373	2,513,092,571
LIABILITIES						
Deposits and borrowings from banks and financial institutions	55,899,548	242,432,305	22,699,188	11,598,104	8,976	332,638,121
Customers' accounts at amortized cost including related parties	1,215,271,399	418,362,911	63,688,198	65,463,199	66,569,244	1,829,354,951
Acceptance liability	107,651	-	18,454,690	-	1,760,708	20,323,049
Other term borrowings	13,391,505	-	-	-	-	13,391,505
Lease liability	3,066,667	-	-	-	-	3,066,667
Other financial liabilities	11,759,823	-	455,565	-	606,359	12,821,747
Subordinated bonds	90,450,000	-	-	-	-	90,450,000
Total liabilities	1,389,946,593	660,795,216	105,297,641	77,061,303	68,945,287	2,302,046,040
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK						
Documentary and commercial letters of credit	2,393,716	-	2,239,250	-	-	4,632,966
Guarantees and standby letters of credit	55,458,485	2,546,195	6,816,457	6,031,017	-	70,852,154
Forward Contracts	81,751,673	68,507,449	145,619,477	-	-	295,878,599

B. Liquidity Risk

Liquidity risk is the risk that the Group 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.

1. *Management of liquidity risk*

Liquidity risk is the Group's ability to ensure the availability of funding to meet commitments, both on-balance and off-balance sheet commitments, at a reasonable cost on time. The management of liquidity should not lead to threats to the Group's solvency.

Liquidity risk arises when in case of crisis, refinancing may only be raised at higher market rates (funding risk), or assets may only be liquidated at a discount to market rates (market liquidity risk). Liquidity risk is also caused by mismatches in the maturities of assets and liabilities (uses and sources of funds).

Residual contractual maturities of financial assets and liabilities:

The tables below show the Group's assets and liabilities in Lebanese Pounds & Foreign Currencies base accounts segregated by maturity:

	December 31, 2020							
	Accounts with no Maturity LBP'000	Up to 3 Months LBP'000	3 Months to 1 Year LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	5 to 10 Years LBP'000	Over 10 Years LBP'000	Total LBP'000
Assets								
Cash and deposits with central banks	1,378,236,295	299,488,995	24,065,730	120,801,482	101,652,107	288,283,449	7,403,890	2,219,931,948
Deposits with banks and financial institutions	95,573,167	11,855,929	1,015,072	-	-	-	-	108,444,168
Investment securities	21,534,102	-	11,641,849	151,771,198	130,318,602	108,036,800	16,459,134	439,761,685
Provision for ECL on Eurobonds recorded in LBP	-	-	(472,067)	(2,953,009)	(3,349,657)	-	-	(6,774,733)
Provision for ECL on CDs recorded in LBP	-	-	-	(34,141)	(350,181)	(1,947,408)	-	(2,331,730)
Financial assets at fair value through profit or loss	10,545,250	-	-	67,838	266,040	-	2,307	10,881,435
Loans and advances to customers and related parties	439,604,884	142,715,666	965,582	11,726,793	8,813	-	-	595,021,738
Customers' liability under acceptances	-	80,481	-	11,477,502	-	-	-	11,557,983
Other financial assets	19,463,870	-	-	-	-	-	-	19,463,870
Total Assets	1,964,957,568	454,141,071	37,216,166	292,857,663	228,545,724	394,372,841	23,865,331	3,395,956,364
Liabilities								
Other term borrowings	114,416	1,661,354	3,577,412	-	12,649,748	3,883,656	-	21,886,586
Deposits and borrowings from banks and financial institutions	292,918,402	29,436,656	6,593,506	29,480,234	26,720,759	24,580,103	1,637,637	411,367,297
Customers' accounts at amortized cost including related parties	1,436,710,671	982,157,588	115,900,630	46,507,497	21,348,246	-	-	2,602,624,632
Acceptance liability	-	107,122	-	11,477,502	-	-	-	11,584,624
Lease liability	-	190,818	572,455	1,401,212	281,581	-	-	2,446,066
Other financial liabilities	33,021,712	-	-	-	-	-	-	33,021,712
Subordinated bonds	1,139,918	37,687,500	-	-	52,762,500	-	-	91,589,918
Total Liabilities	1,763,905,119	1,051,241,038	126,644,003	88,866,445	113,762,834	28,463,759	1,637,637	3,174,520,835
Maturity Gap	201,052,449	(597,099,967)	(89,427,837)	203,991,218	114,782,890	365,909,082	22,227,694	221,435,529

	December 31, 2019							
	Accounts with no Maturity LBP'000	Up to 3 Months LBP'000	3 Months to 1 Year LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	5 to 10 Years LBP'000	Over 10 Years LBP'000	Total LBP'000
Assets								
Cash and deposits with central banks	254,548,433	98,920,640	43,034,596	108,208,302	134,715,202	284,638,026	7,914,000	931,979,199
Deposits with bank sand financial institutions	76,815,898	58,101,879	8,813,094	-	-	-	-	143,730,871
Investment securities	8,996,562	16,001,428	39,569,476	94,926,838	146,926,162	137,621,751	22,573,177	466,615,394
Provision for expected credit losses on Lebanese Government bonds recorded in LBP	-	-	-	(442,622)	(1,320,682)	(1,480,566)	-	(3,243,870)
Provision for expected credit losses on Certificates of deposit denominated in F/cy recorded in LBP	-	-	-	(733,912)	(926,185)	-	(285,269)	(1,945,366)
Financial assets at fair value through profit or loss	10,037,752	15,073,492	44,774,257	329,550	84,454	223,848	4,722	70,528,075
Loans and advances to customers and related parties	581,749,223	217,491,012	6,613,292	319,175	974,134	-	-	807,146,836
Customers' liability under acceptances	-	9,200,409	639,919	10,435,522	-	-	-	20,275,850
Other financial assets	11,920,617	-	-	-	-	-	-	11,920,617
Total Assets	944,068,485	414,788,860	143,444,634	213,042,853	280,453,085	421,003,059	30,206,630	2,447,007,606
Liabilities								
Other term borrowings	-	608,656	1,297,981	3,483,912	3,088,209	3,083,998	1,828,749	13,391,505
Deposits and borrowings from banks and financial institutions	153,921,791	78,465,700	100,077,644	81,405	81,405	10,176	-	332,638,121
Customers' accounts at amortized cost including related parties	536,075,185	802,712,034	333,303,326	86,154,123	71,110,283	-	-	1,829,354,951
Acceptance liability	-	9,220,126	641,507	10,461,416	-	-	-	20,323,049
Lease liability	-	241,745	725,236	1,227,315	801,360	71,011	-	3,066,667
Other financial liabilities	12,821,747	-	-	-	-	-	-	12,821,747
Subordinated bonds	-	-	-	37,687,500	-	52,762,500	-	90,450,000
Total Liabilities	702,818,723	891,248,261	436,045,694	139,095,671	75,081,257	55,927,685	1,828,749	2,302,046,040
Maturity Gap	241,249,762	(476,459,401)	(292,601,060)	73,947,182	205,371,828	365,075,374	28,377,881	144,961,566

Concentration of Liabilities by counterparty:

Information regarding the concentration of liabilities by counterparty is disclosed under the respective notes to the financial statements.

C. Market Risks

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.

1. Management of market risks:

Market risks include interest rate risk and exchange risk.

The Group has established an Assets and Liabilities Management Committee (ALCO) to manage market risks. ALCO's primary objective is to maximize interest income spread and trading income while maintaining market risks at an appropriate level through regular management and measurement of these risks.

The Group has developed policies and procedures to manage market risks and ensure compliance with regulatory requirements and limits in addition to internal risk strategies and limits.

2. Foreign exchange risk:

Foreign exchange risk is the risk that changes in foreign currency rates will affect the Group's income or the value of its holdings of financial instruments. The objective of foreign currency risk management is to manage and control foreign currency risk exposure within acceptable parameters while optimizing the return on risk.

Foreign exchange exposure arises from normal banking activities, primarily from the receipt of deposits and the placement of funds. Future open positions in any currency are managed by means of forward foreign exchange contracts. It is the policy of the Group that it will, at all times, adhere to the limits laid down by the Central Bank as referred to below. It is not the Group's intention to take open positions on its own account (proprietary trading) but rather to maintain square or near square positions in all currencies.

The treasury department is responsible for monitoring the compliance with the regulatory ratios set by the regulatory authorities. ALCO is supported by the finance department by reports of any breach of these ratios.

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

	December 31, 2020					
	LBP LBP'000	USD C/V in LBP LBP'000	EUR C/V in LBP LBP'000	GBP C/V in LBP LBP'000	Other Currencies C/V in LBP LBP'000	Total LBP'000
Assets						
Cash and deposits with central banks	202,973,635	1,815,396,706	215,697,871	1,571,957	32,487	2,235,672,656
Provision for USD sovereign deposit recorded in LBP	(15,740,705)	-	-	-	-	(15,740,705)
Deposits with banks and financial institutions	6,320,187	53,445,437	43,017,516	1,122,382	4,538,646	108,444,168
Financial assets at fair value through profit or loss	245,869	10,437,472	138,728	59,366	-	10,881,435
Loans and advances to customers and related parties	23,371,316	487,562,250	84,001,793	86,379	-	595,021,738
Investment securities	105,604,716	333,141,348	1,015,620	-	-	439,761,684
Provision for ECL on Eurobonds recorded in LBP	(6,774,733)	-	-	-	-	(6,774,733)
Provision for ECL on CDs recorded in LBP	(2,331,729)	-	-	-	-	(2,331,729)
Customers' liability under acceptances	-	-	11,557,983	-	-	11,557,983
Assets acquired in satisfaction of loans	-	2,907,009	-	-	-	2,907,009
Property and equipment	76,551,239	744,658	-	-	-	77,295,897
Assets under finance lease	1,963,010	-	-	-	-	1,963,010
Intangible assets	700,745	8,915	-	-	-	709,660
Other assets	16,620,660	7,049,439	1,856,977	-	-	25,527,076
Total Assets	409,504,210	2,710,693,234	357,286,488	2,840,084	4,571,133	3,484,895,149
Liabilities						
Deposits and borrowings from banks and financial institutions	655,987	252,017,501	147,799,270	5,155,700	5,738,839	411,367,297
Customers' and related parties' accounts at amortized cost	205,429,381	2,208,993,987	170,489,871	12,938,729	4,772,664	2,602,624,632
Acceptance liability	-	-	11,584,624	-	-	11,584,624
Other term borrowings	11,390,292	10,496,294	-	-	-	21,886,586
Finance lease liability	2,446,066	-	-	-	-	2,446,066
Other liabilities	25,469,735	80,624,596	(41,150,909)	(15,250,687)	(5,948,769)	43,743,966
Provisions	2,108,316	2,727,831	49,983	-	-	4,886,130
Subordinated bonds	-	91,589,918	-	-	-	91,589,918
Total Liabilities	247,499,777	2,646,450,127	288,772,839	2,843,742	4,562,734	3,190,129,219
Currencies to be delivered	-	68,537,301	117,366,714	16,890,212	8,853,026	211,647,253
Currencies to be received	-	(135,350,636)	(72,315,726)	(1,638,832)	(2,849,650)	(212,154,844)
	-	(66,813,335)	45,050,988	15,251,380	6,003,376	(507,591)
Net on-balance sheet financial position	162,004,433	(2,570,228)	113,564,637	15,247,722	6,011,775	294,258,339

	December 31, 2019					
	LBP	USD C/V in LBP	EUR C/V in LBP	GBP C/V in LBP	Other Currencies C/V in LBP	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Assets						
Cash and deposits with central banks	82,656,438	721,116,542	141,782,994	92,775	4,855	945,653,604
Provision for expected credit losses recorded in LBP on deposits with central banks denominated in F/CY	(13,674,405)	-	-	-	-	(13,674,405)
Deposits with banks and financial institutions	37,649,641	60,258,871	35,864,710	8,562,310	1,395,339	143,730,871
Financial assets at fair value through profit or loss	246,562	69,999,464	123,001	159,048	-	70,528,075
Loans and advances to customers and related parties	26,194,025	617,748,689	158,705,949	3,539,896	958,277	807,146,836
Investment securities	161,193,465	304,496,459	925,470	-	-	466,615,394
Provision for expected credit losses recorded in LBP on Lebanese Government bonds	(3,243,870)	-	-	-	-	(3,243,870)
Provision for expected credit losses recorded in LBP on certificates of deposit denominated in F/CY	(1,945,366)	-	-	-	-	(1,945,366)
Customers' liability under acceptances	-	8,090,090	12,185,760	-	-	20,275,850
Investments in associate	23,970	23,950,100	-	-	-	23,974,070
Assets acquired in satisfaction of loans	-	4,221,423	-	-	-	4,221,423
Property and equipment	74,898,555	748,104	-	-	-	75,646,659
Right of use assets	2,468,876	713,517	-	-	-	3,182,393
Intangible assets	715,176	13,959	-	-	-	729,135
Other assets	17,594,650	(3,347,867)	634,226	74,502	48,990	15,004,501
Total Assets	384,777,717	1,808,009,351	350,222,110	12,428,531	2,407,461	2,557,845,170
Liabilities						
Deposits and borrowings from banks and financial institutions	14,972,037	195,093,120	114,888,815	4,144,315	3,539,834	332,638,121
Customers' and related parties' accounts at amortized cost	165,062,857	1,515,149,134	130,647,752	15,611,445	2,883,763	1,829,354,951
Acceptance liability	-	8,137,289	12,185,760	-	-	20,323,049
Other term borrowings	13,185,927	205,578	-	-	-	13,391,505
Lease liability	2,317,575	749,092	-	-	-	3,066,667
Other liabilities	9,832,431	6,611,288	2,302,818	11,118	21,829	18,779,484
Provisions	2,737,697	2,539,802	37,955	-	-	5,315,454
Subordinated bonds	-	90,450,000	-	-	-	90,450,000
Total Liabilities	208,108,524	1,818,935,303	260,063,100	19,766,878	6,445,426	2,313,319,231
Currencies to be delivered	-	179,413,898	71,278,465	20,810,354	24,375,882	295,878,599
Currencies to be received	-	(98,160,137)	(161,436,655)	(13,472,011)	(20,343,642)	(293,412,445)
	-	81,253,761	(90,158,190)	7,338,343	4,032,240	2,466,154
Net on-balance sheet financial position	176,669,193	70,327,809	820	(4)	(5,725)	246,992,093

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

	December 31, 2020			
	LBP	Onshore	Offshore	Total
	LBP'000	LBP'000	LBP'0000	LBP'000
Assets				
Cash and deposits with central banks	202,973,632	1,961,984,563	70,714,458	2,235,672,653
Provision for USD sovereign deposit recorded in LBP	(15,740,705)	-	-	(15,740,705)
Deposits with banks and financial institutions	6,320,187	42,337,237	59,786,744	108,444,168
Financial assets at fair value through profit or loss	245,869	10,371,641	263,925	10,881,435
Loans and advances to customers and related parties	23,371,316	566,669,399	4,981,023	595,021,738
Investment securities	105,604,716	300,262,042	33,894,926	439,761,684
Provision for expected credit losses on Eurobonds recorded in LBP	(6,774,733)	-	-	(6,774,733)
Provision for expected credit losses on credit losses recorded in LBP	(2,331,729)	-	-	(2,331,729)
Customers' liability under acceptances	-	11,557,983	-	11,557,983
Assets acquired in satisfaction of loans	-	2,907,009	-	2,907,009
Property and equipment	76,551,239	335,776	408,882	77,295,897
Assets under finance lease	1,963,010	-	-	1,963,010
Intangible assets	700,745	-	8,915	709,660
Other assets	16,620,660	7,513,248	1,393,168	25,527,076
Total Assets	409,504,207	2,903,938,898	171,452,041	3,484,895,146
Liabilities				
Deposits and borrowings from banks and financial institutions	655,987	340,062,879	70,648,431	411,367,297
Customers' and related parties' accounts at amortized cost	205,429,381	2,144,195,864	252,999,387	2,602,624,632
Acceptance liability	-	-	11,584,624	11,584,624
Other term borrowings	11,390,292	10,496,294	-	21,886,586
Finance lease liability	2,446,066	-	-	2,446,066
Other liabilities	25,469,735	12,112,120	5,654,520	43,236,375
Provisions	2,108,316	2,364,307	413,507	4,886,130
Subordinated bonds	91,589,918	-	-	91,589,918
Total Liabilities	339,089,695	2,509,231,464	341,300,469	3,189,621,628

The Group's Exposure to Currency Risk

The Group is subject to currency risk on financial assets and liabilities that are denominated in currencies other than the Lebanese Pound. Most of these financial assets and liabilities are in US Dollars and Euros. As disclosed in Note 1, the Group'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. 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.

3. *Interest rate risk*

Interest rate risk arises when there is a mismatch between positions, which are subject to interest rate adjustment within a specified period. The Group's lending, funding and investment activities give rise to interest rate risk. The immediate impact of variation in interest rate is on the Group's net interest income, while a long term impact is on Group's net worth since the economic value of Group's assets, liabilities and off-balance sheet exposures are affected.

Interest rate risk is the risk that changes in interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of interest rate risk management is to manage and control interest rate risk exposure within acceptable parameters while optimizing the return on risk.

Below is a summary of the Group's interest rate gap position on assets and liabilities reflected at carrying amounts at year end segregated between floating and fixed interest rate earning and bearing.

Below is a summary of the Group's interest rate gap position on assets and liabilities reflected at carrying amounts at year end segregated between floating and fixed interest rate earning or bearing:

	December 31, 2020								
			Fixed Interest Rate						
	Non-Interest Bearing LBP'000	Floating Interest Rate LBP'000	Over 3 Months Less than 1 Year LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	5 to 10 Years LBP'000	Over 10 Years LBP'000	Total LBP'000	Grand Total LBP'000
Assets									
Cash and deposits with central banks	1,307,820,456	756,270,758	24,065,730	64,132,065	14,809,679	45,429,370	7,403,890	155,840,734	2,219,931,948
Deposits with banks and financial institutions	96,317,565	11,111,531	1,015,072	-	-	-	-	1,015,072	108,444,168
Financial assets at fair value through profit or loss	10,545,250	-	-	67,838	20,170	245,870	2,307	336,185	10,881,435
Loans and advances to customers and related parties	434,487,878	146,858,538	965,582	11,726,793	982,947	-	-	13,675,322	595,021,738
Investment securities	21,534,102	-	11,641,849	151,771,198	130,318,602	108,036,800	16,459,134	418,227,583	439,761,685
Provision for expected credit losses on Eurobonds recorded in LBP	-	-	(472,067)	(2,953,009)	(3,349,657)	-	-	(6,774,733)	(6,774,733)
Provision for expected credit losses on Certificates of deposits recorded in LBP	-	-	-	(34,141)	(350,181)	(1,947,408)	-	(2,331,730)	(2,331,730)
Customers' liability under acceptances	-	80,481	-	11,477,502	-	-	-	11,477,502	11,557,983
Other financial assets	19,463,870	-	-	-	-	-	-	-	19,463,870
Total Assets	1,890,169,121	914,321,308	37,216,166	236,188,246	142,431,560	151,764,632	23,865,331	591,465,935	3,395,956,364
Liabilities									
Deposits and borrowings from banks and financial institutions	6,171,344	249,206,453	97,830,640	5,128,780	26,802,164	24,590,279	1,637,637	155,989,500	411,367,297
Customers and related parties accounts at amortized cost	147,136,018	2,041,417,736	270,178,603	73,158,867	70,733,408	-	-	414,070,878	2,602,624,632
Acceptance liability	11,584,624	-	-	-	-	-	-	-	11,584,624
Other term borrowings	114,416	1,661,354	3,577,412	-	12,649,748	3,883,656	-	20,110,816	21,886,586
Lease liability	190,818	-	572,455	1,401,212	281,581	-	-	2,255,248	2,446,066
Other financial liabilities	-	-	-	-	-	-	-	-	-
Subordinated bonds	-	-	-	-	-	-	-	-	-
Total Liabilities	165,197,220	2,292,285,543	372,159,110	79,688,859	110,466,901	28,473,935	1,637,637	592,426,442	3,049,909,205
Interest Rate Gap Position	1,724,971,901	(1,377,964,235)	(334,942,944)	156,499,387	31,964,659	123,290,697	22,227,694	(960,507)	346,047,159

	December 31, 2019								
			Fixed Interest Rate						
	Non-Interest Bearing LBP'000	Floating Interest Rate LBP'000	Over 3 Months Less than 1 Year LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	5 to 10 Years LBP'000	Over 10 Years LBP'000	Total LBP'000	Grand Total LBP'000
Assets									
Cash and deposits with central banks	48,274,606	458,213,968	-	39,345,750	90,676,125	287,554,750	7,914,000	425,490,625	931,979,199
Deposits with banks and financial institutions	22,807,007	112,110,770	8,813,094	-	-	-	-	8,813,094	143,730,871
Financial assets at fair value through profit or loss	10,037,752	15,073,492	44,774,257	329,550	84,454	223,848	4,722	45,416,831	70,528,075
Loans and advances to customers and related parties	1,627,997	797,612,238	6,613,292	319,175	974,134	-	-	7,906,601	807,146,836
Investment securities	24,997,990	-	39,569,476	94,926,838	146,926,162	137,621,751	22,573,177	441,617,404	466,615,394
Provision for expected credit losses on Lebanese Government bonds recorded in LBP	-	-	-	(442,622)	(1,320,682)	(1,480,566)	-	(3,243,870)	(3,243,870)
Provision for expected credit losses on Certificates of deposit denominated in F/cy recorded in LBP	-	-	-	(733,912)	(926,185)	-	(285,269)	(1,945,366)	(1,945,366)
Customers' liability under acceptances	20,275,850	-	-	-	-	-	-	-	20,275,850
Other financial assets	11,920,617	-	-	-	-	-	-	-	11,920,617
Total Assets	139,941,819	1,383,010,468	99,770,119	133,744,779	236,414,008	423,919,783	30,206,630	924,055,319	2,447,007,606
Liabilities									
Deposits and borrowings from banks and financial institutions	7,488,606	224,898,885	100,077,644	81,405	81,405	10,176	-	100,250,630	332,638,121
Customers and related parties accounts at amortized cost	13,256,096	1,325,531,123	333,303,326	86,154,123	71,110,283	-	-	490,567,732	1,829,354,951
Acceptance liability	20,323,049	-	-	-	-	-	-	-	20,323,049
Other term borrowings	-	608,656	1,297,981	3,483,912	3,088,209	3,083,998	1,828,749	12,782,849	13,391,505
Lease liability	241,745	-	725,236	1,227,315	801,360	71,011	-	2,824,922	3,066,667
Other financial liabilities	12,821,747	-	-	-	-	-	-	-	12,821,747
Subordinated bonds	-	-	-	37,687,500	-	52,762,500	-	90,450,000	90,450,000
Total Liabilities	54,131,243	1,551,038,664	435,404,187	128,634,255	75,081,257	55,927,685	1,828,749	696,876,133	2,302,046,040
Interest Rate Gap Position	85,810,576	(168,028,196)	(335,634,068)	5,110,524	161,332,751	367,992,098	28,377,881	227,179,186	144,961,566

D. Other Operational Risks

Litigation Risk

Litigation risk arises from pending or potential legal proceedings against the Group and in the event that legal issues are not properly dealt with by the Group. Litigation that may arise, whether from lawsuits or from arbitration proceedings, may affect the operations of the Group 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 Group has been subject to an increased litigation risk. Management is monitoring and assessing the impact of potential litigation and claims against the Group 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 Group.

48. 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 Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

All assets and liabilities for which fair value is measured or disclosed in the 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 Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

	December 31, 2020				
	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Financial assets measured at fair value through profit or loss:					
Quoted equity securities	10,533,857	10,533,857	-	-	10,533,857
Lebanese treasury bills	239,666	-	239,666	-	239,666
Lebanese Government Bonds	21,594	-	21,594	-	21,594
Corporate Bonds	67,838	67,838	-	-	67,838
	10,862,955	10,601,695	261,260	-	10,862,955
Financial assets at fair value through other comprehensive income:					
Unquoted equity securities	19,301,327	-	-	19,301,327	19,301,327
	19,301,327	-	-	19,301,327	19,301,327
Financial assets at amortized cost:					
Lebanese treasury bills	32,550,562	-	32,365,292	-	32,365,292
Government bonds	105,366,687	-	14,742,102	-	14,742,102
Certificates of deposit issued by Central Bank of Lebanon	265,474,705	-	223,317,430	-	223,317,430
Corporate bonds	4,163,465	2,750,419	-	-	2,750,419
	407,555,419	2,750,419	270,424,824	-	273,175,243
Financial liabilities measured at amortized cost:					
Subordinated bonds	91,589,918	-	-	90,450,000	90,450,000

	December 31, 2019				
	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Financial assets measured at fair value through profit or loss:					
Quoted equity securities	10,029,999	10,029,999	-	-	10,029,999
Lebanese treasury bills	240,463	-	240,463	-	240,463
Lebanese Government Bonds	72,560	-	72,560	-	72,560
Foreign Government Bonds	59,847,750	59,847,750	-	-	59,847,750
Corporate Bonds	329,550	329,550	-	-	329,550
	70,520,322	70,207,299	313,023	-	70,520,322
Financial assets at fair value through other comprehensive income:					
Unquoted equity securities	1,565,834	-	-	1,565,834	1,565,834
Government bonds	8,235,335	-	8,235,335	-	8,235,335
Certificates of deposit issued by Central Bank of Lebanon	23,576,396	-	23,576,396	-	23,576,396
Corporate bonds	4,172,709	4,172,709	-	-	4,172,709
	37,550,274	4,172,709	31,811,731	1,565,834	37,550,274
Financial assets at amortized cost:					
Lebanese treasury bills	84,700,917	-	87,647,877	-	87,647,877
Government bonds	90,097,411	-	51,653,296	-	51,653,296
Certificates of deposit issued by Central Bank of Lebanon	221,310,786	-	145,450,294	-	145,450,294
Corporate bonds	20,336,041	19,033,728	-	-	19,033,728
	416,445,155	19,033,728	284,751,467	-	303,785,195
Financial liabilities measured at amortized cost:					
Subordinated bonds	90,450,000	-	-	90,450,000	90,450,000

Valuation techniques, significant unobservable inputs, and sensitivity of the input to the fair value

The following table gives information about how the fair values of financial assets and financial liabilities, are determined (Level 2 and Level 3 fair values) and significant unobservable inputs used:

	Date of Valuation	Valuation Technique and key Inputs
Financial Assets		
Lebanese treasury bills	December 31, 2020, and December 31, 2019	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills adjusted for illiquidity
Certificates of deposit issued by the Central Bank of Lebanon - Local currency	December 31, 2020, and December 31, 2019	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity
Certificates of deposit issued by the Central Bank of Lebanon - foreign currency	December 31, 2020, and December 31, 2019	DCF at a discount rate based on observable yield curve at measurement date
Lebanese Government bonds	December 31, 2020, and December 31, 2019	Average market price in inactive market.
Financial Liabilities		
At amortized cost:		
Subordinated bonds	December 31, 2020 and December 31, 2019	DCF at a discount rate determined based on unobservable input related to risk.

There have been no transfers between Level 1 and Level 2 during the period.

49. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended December 31, 2020 were approved by the Board of Directors in its meeting held on August 23, 2021.