BANQUE BEMO S.A.L.

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT AUDITORS' REPORT

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

Disclaimer of Opinion

We were engaged to audit 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, 2019, 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 a summary of significant accounting policies and other explanatory information.

We do not express an opinion on the accompanying consolidated financial statements of the Group for the year ended December 31, 2019. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for Disclaimer of Opinion

1. We draw attention to Notes 1 and 4 to the accompanying consolidated financial statements, concerning the Group's ability to continue as a going concern. There is currently a high degree of uncertainty surrounding the Lebanese banking industry and Lebanese economy as a whole which has been triggered by the following events:
    - business disruption since the last quarter of 2019;
    - a series of Lebanese sovereign credit risk downgrades which started to deteriorate since the last quarter of 2019 and reached a default credit risk rating (to category "RD") by all major rating agencies in March 2020, after years of a stable credit risk rating at "B" category;
    - restrictions on the movement and withdrawal of funds in foreign currencies;
    - the inability to transfer foreign currency funds outside Lebanon;
    - the sharp fluctuation in the foreign currency exchange rates and creation of parallel markets with a wide range of price variances;

- subsequent to the reporting date, on March 7, 2020, the Lebanese Government announced its decision to default on the 6.375% US$1,200,000,000 bonds due on March 9, 2020;
- an announcement on March 23, 2020 by the Lebanese Government to discontinue payments on all of its US Dollars denominated Eurobonds;
- further deterioration in the market value of Lebanese Government bonds to junk status, resulting in the majority of the valuation of financial assets being adversely impacted in Lebanon;
- prolonged severe inactivity in capital markets rendering markets illiquid; and a devastating deadly blast occurred on August 4, 2020 of the Beirut Seaport causing severe property damages across a wide area of the capital along with a large number of casualties, aggravating the financial crises prevailing in the country.

As the situation is rapidly evolving, the effect of the default of the Lebanese Government along with the published Lebanese Government financial recovery plan, has exposed the banking system to a significant degree of uncertainty, with the magnitude of the possible adverse effects on the Lebanese economy, the banking sector and the Group, currently unknown.

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 banking sector as a whole in Lebanon 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 have been unable to form a view as to the applicability of the going concern basis, the circumstances of which, together with the effect on the 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 financial statements do not adequately disclose this fact.

Notwithstanding the above basis for a disclaimer of opinion, we identified the following departures from the requirements of IFRS that have a material and pervasive impact on the consolidated financial statements and that would have otherwise resulted in an adverse auditors' opinion:

2.a We draw attention to Note 3 to the accompanying financial statements which states that these consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. Included in the consolidated statement of financial position at December 31, 2019, are financial assets measured at amortized cost and debt securities measured at fair value through other comprehensive income, amounting to LBP1,301billion, which have significant exposure to sovereign debt in both Lebanese Pounds and foreign currencies; foreign currency deposits with and certificates of deposit issued by the Central Bank of Lebanon and deposits held with other Lebanese Banks which are credit impaired as at 31 December 2019 due to the current uncertainty in the Lebanese banking industry and the Lebanese economy as a whole. Consequently the Group has not recognized the appropriate level of impairment losses under the expected credit loss model in relation to these financial assets, which constitutes a significant departure from IFRS 9 *Financial Instruments*. It is not possible to determine with reasonable certainty the exact value of the impairment losses as the Group has not performed an updated expected credit loss assessment considering the factors noted above. In these circumstances, we are unable to quantify the effect of the departure from the accounting standard and in our opinion the effects would be both material and pervasive to the financial statements as a whole.

2.b Furthermore, as a result of the monetary and economic crisis the credit quality of the loans and advances portfolio predominantly concentrated in Lebanon has deteriorated since the last quarter of 2019. Management is currently reviewing the credit staging of its loan portfolio taking into account the circumstances and available information at the reporting date, the impact of which cannot be determined at present but expected to be significant.

3.a The Group's financial assets at fair value, which are carried in the statement of financial position as at December 31, 2019 include financial assets at fair value of LBP60.5billion representing Lebanese treasury bills, Lebanese government bonds as well as financial assets issued by corporate entities domiciled in the Republic 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 at the reporting date, which constitutes a departure from IFRSs. We were unable to determine the adjustments necessary to this amount.

3.b Management has not disclosed in the consolidated financial statements the fair value of its financial assets and financial liabilities measured at amortized cost and the valuation techniques as required by IFRS 13 Fair Value Measurement, which constitutes a departure from IFRSs. We were unable to determine the fair value or the details which should be disclosed in the consolidated financial statements.

Other Matter

With reference to Article 107 of the Lebanese Code of Commerce and given the adverse circumstances discussed in the Basis for Disclaimer of Opinion above and disclosed under Notes 4, 48 and 49 to the accompanying consolidated financial statements, we do not recommend that the Board of Directors approve any distribution of dividends to any class of shares.

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

The Board of Directors and those charged with governance (referred to hereafter as "management") are 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, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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 consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Beirut, Lebanon
August 31, 2020

DFK Fiduciaire du Moyen Orient

Deloitte & Touche

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

ASSETS	Notes	December 31, 2019 LBP'000	December 31, 2018 LBP'000
Cash and deposits with central banks	5	931,979,199	728,018,716
Deposits with banks and financial institutions	6	143,730,871	146,067,510
Financial assets at fair value through profit or loss	7	70,528,075	47,647,005
Loans to banks	8	-	7,627,631
Loans and advances to customers and related parties	9	807,146,836	1,097,276,883
Investment securities	10	461,426,158	504,956,750
Customers' liability under acceptances	11	20,275,850	17,610,136
Investments in an associate	13	23,974,070	23,102,054
Assets acquired in satisfaction of loans	14	4,221,423	2,907,009
Property and equipment	15	75,646,659	60,565,263
Right-of-use assets	2	3,182,393	-
Intangible assets	16	729,135	974,683
Other assets	17	17,470,655	18,838,058
Total Assets		2,560,311,324	2,655,591,698
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK:	40		
Documentary and commercial letters of credit		4,632,966	22,441,565
Guarantees and standby letters of credit		70,852,154	119,447,344
Forward exchange contracts		295,878,599	280,982,973
FIDUCIARY DEPOSITS	41	32,439,095	98,335,405

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, 2019 LBP'000	December 31, 2018 LBP'000
Deposits and borrowings from banks and financial institutions	18	332,638,121	246,365,768
Customers and related parties accounts at amortized cost	19	1,829,354,951	1,970,902,202
Liability under acceptances	11	20,323,049	17,670,896
Other term borrowings	20	13,391,505	15,715,494
Lease liability	2	3,066,667	-
Other liabilities	21	18,779,484	16,195,663
Provisions	22	5,315,454	6,926,206
		2,222,869,231	2,273,776,229
Subordinated bonds	23	90,450,000	95,523,886
Total liabilities		2,313,319,231	2,369,300,115
EQUITY			
Share capital	24	77,810,000	62,248,000
Treasury shares	24	(3,679,126)	(3,619,239)
Preferred shares	25	52,641,854	52,641,854
Shareholders' cash contribution to capital	26	29,104,984	29,104,984
Reserves	27	70,440,239	62,635,782
Retained earnings		47,889,535	46,974,064
Currency translation adjustment	13	520,277	479,261
Revaluation surplus (net)	15	16,914,064	16,942,104
Cumulative change in fair value of investment securities	10,13	(32,297,405)	(9,554,688)
(Loss)/profit for the year		(12,352,792)	28,439,048
Equity attributable to the shareholders of the bank		246,991,630	286,291,170
Non-controlling interests		463	413
Total equity		246,992,093	286,291,583
Total Liabilities and Equity		2,560,311,324	2,655,591,698

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, 2019 LBP'000	Year Ended December 31, 2018 LBP'000
Interest income	30	191,718,322	161,539,542
Less: Tax on interest	30	(8,450,824)	(6,493,638)
Interest income (net of tax)		183,267,498	155,045,904
Interest expense	31	(122,927,755)	(101,960,728)
Net interest income		60,339,743	53,085,176
Fee and commission income	32	9,229,775	10,557,745
Fee and commission expense	33	(325,172)	(386,527)
Net fee and commission income		8,904,603	10,171,218
Net interest and other gains on financial assets at fair value through profit or loss	34	2,319,982	906,550
Gain on exchange		4,739,217	5,163,815
Other operating income, (net)	35	2,721,425	5,983,507
Net financial revenues		79,024,970	75,310,266
Provisions for expected credit losses (net)	36	(47,724,867)	(607,647)
Net financial revenues after allowance for expected credit losses		31,300,103	74,702,619
Staff costs	37	(21,865,931)	(23,619,560)
Administrative expenses	38	(15,184,238)	(15,239,831)
Depreciation and amortization	15,16	(2,628,489)	(2,234,841)
Depreciation of right-of-use assets	2	(1,279,629)	-
Other (expense)/income , net		(181,639)	192,944
		(41,139,926)	(40,901,288)
(Loss)/profit before income tax		(9,839,823)	33,801,331
Income tax expense	21	(2,512,919)	(5,362,231)
(Loss)/profit for the year	28	(12,352,742)	28,439,100
Attributable to:			
Equity holders of the Group		(12,352,792)	28,439,048
Non-controlling interests		50	52
	28	(12,352,742)	28,439,100
Basic and diluted earning per shares	39	-	405/66

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, 2019 LBP'000	Year Ended December 31, 2018 LBP'000
(Loss)/profit for the year		(12,352,742)	28,439,100
Other comprehensive income ("OCI"):			
Items that may be reclassified subsequently to profit or loss:			
Gain arising from currency translation adjustment	13	41,016	28,949
Change in fair value of investment securities	10 B, 13	(22,742,717)	(8,929,382)
Net other comprehensive loss for the year		(22,701,701)	(8,900,433)
Total comprehensive (loss)/income for the year		(35,054,443)	19,538,667
Attributable to:			
Equity holders of the Group		(35,054,493)	19,538,615
Non-controlling interests		50	52
		(35,054,443)	19,538,667

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 1,2018	62,248,000	(3,179,389)	52,641,854	29,104,984	56,143,182	-	450,312	1,030,666	36,625,566	27,782,456	262,847,631	361	262,847,992
Effect of adoption of IFRS 9	-	-	-	-	-	-	-	-	(10,854,370)	-	(10,854,370)	-	(10,854,370)
Transfer from regulatory deferred liability	-	-	-	-	-	-	-	-	10,854,370	-	10,854,370	-	10,854,370
Change in fair value of financial assets at fair value through other comprehensive income on January 1, 2018 (Note 10 B)	-	-	-	-	-	-	-	-	(2,754,379)	-	(2,754,379)	-	(2,754,379)
Effect of ECL on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	(1,655,972)	1,655,972	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	28,949	(8,929,382)	-	28,439,048	19,538,615	52	19,538,667
Allocation of income for the year 2017	-	-	-	-	6,492,600	-	-	-	21,289,856	(27,782,456)	-	-	-
Dividends paid (Note 29)	-	-	-	-	-	-	-	-	(9,792,169)	-	(9,792,169)	-	(9,792,169)
Acquisition of treasury shares (net) (Note 24)	-	(439,850)	-	-	-	-	-	-	-	-	(439,850)	-	(439,850)
Other movements (Note 13)	-	-	-	-	-	-	-	-	(50,782)	-	(50,782)	-	(50,782)
Revaluation of real estate (Note 15)	-	-	-	-	-	16,942,104	-	-	-	-	16,942,104	-	16,942,104
Balance at December 31, 2018	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 13)	-	-	-	-	-	-	-	-	(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

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, 2019 LBP'000	2018 LBP'000
Cash flows from operating activities:			
(Loss)/profit before tax		(9,839,823)	33,801,331
Adjustments for:			
Depreciation and amortization	15,16	2,628,489	2,234,841
Depreciation right of use	2	1,279,629	-
Other movements		(34,025)	-
Interest expense – Finance lease liability	2	288,945	-
Provision for contingencies	22	196,585	109,443
Write back of provision for contingencies	22	(393,288)	(166,612)
Assets acquired in satisfaction of loans	14	(1,314,414)	(833,025)
Provision for expected credit losses, (net)	36	47,724,867	607,647
Non-controlling interests		50	(52)
Write-back for employees' end-of-service indemnities	22	(864,354)	(156,085)
Unrealized loss on financial assets at fair value through profit or loss	34	25,047	370,162
Equity income from investment in associates	13	(2,026,661)	(2,097,287)
Gain from sale of property and equipment		2,987	5,882
Increase/(decrease) in deposits with central banks, banks and financial institutions		35,440,205	(234,120,272)
Decrease in loans to banks and financial institutions		7,627,631	5,211,145
Increase in trading assets at fair value through profit or loss		(22,906,117)	(23,297,044)
Decrease in investment securities		10,404,762	45,430,823
Decrease in loans and advances to customers and related parties		267,651,452	46,499,118
Net decrease/(increase) in other assets		1,109,389	(7,904,004)
(Decrease)/increase in non-interest earning compulsory reserve		(2,174,657)	5,159,034
Increase in due to banks and financial institutions		86,272,353	131,233,096
(Decrease)/increase in other borrowings		(2,323,989)	3,810,536
Decrease in customers' and related parties ' deposits at amortized cost		(141,547,251)	(110,403,930)
Net increase in other liabilities		5,433,133	966,008
Net decrease in provisions		(31,926)	(160,002)
Settlements of provision for contingencies	22	-	(358,000)
Settlement of employees' end-of-service indemnity	22	(354,883)	(1,045,126)
Taxes paid	21	(5,362,231)	(4,652,948)
Net cash generated by/(used in) operating activities		276,911,905	(109,755,321)
Cash flows from investing activities:			
Acquisition of treasury shares (net)	24	(59,887)	(439,850)
Acquisition of property and equipment	15	(17,364,289)	(11,610,100)
Proceeds from sale of property and equipment		12,074	3,868
Intangible assets	16	(115,109)	(198,322)
Net cash used in investing activities		(17,527,211)	(12,244,404)
Cash flows from financing activities:			
Dividends paid	29	(3,693,375)	(9,792,169)
Settlement of lease liability	2	(1,684,300)	-
Subordinated bonds	23	(5,073,886)	3,693,375
Net cash used in financing activities		(10,451,561)	(6,098,794)
Net increase/(decrease) in cash and cash equivalents		248,933,133	(128,098,519)
Cash and cash equivalents - Beginning of year	43	178,286,645	306,385,164
Cash and cash equivalents - End of year	43	427,219,778	178,286,645

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 8 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).

The Macro Economic Environment

The unprecedented severe financial, economic and monetary crisis that Lebanon has been witnessing since October 2019 has significantly increased credit, liquidity, market and operational risks. Banks limited foreign currency withdrawals and restricted transfers overseas. During December 2019, there was a credit risk rating downgrade by a rating agency of certain local rated banks to "C" category. Sharp fluctuation in the market foreign currency exchange rate and the creation of parallel markets with a wide range of price variance were witnessed in comparison to the official peg of LBP1,507.50 to the US Dollar.

Furthermore, the sovereign credit risk rating started to witness consecutive downgrading by all major rating agencies to reach the level of default on March 7, 2020, when the Lebanese Government announced that it will withhold payment on the bonds due on March 9, 2020, followed by another announcement on March 23, 2020 for the discontinuation of payments on all of its US Dollars denominated Eurobonds. This led to a further deterioration in the market value of Lebanese Government bonds to reach junk status. The market value of all other the financial assets has also been adversely impacted.

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 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.

On August 4, 2020, a devastating and deadly explosion occurred in the seaport of Beirut which resulted in, in addition to loss of lives, severe widespread property damage in a large area of Beirut, aggravating the economic, financial and social crises.

As a result of the above adverse factors, the Lebanese economy has been contracting since the last quarter of 2019. The crisis has been intensified by the negative impact of the explosion in the Seaport of Beirut and COVID-19 pandemic affecting Lebanon and the world leading to further deterioration of the economic environment, disruption of business operations and regular banking practices, rise of unemployment and social unrest.

The Group's Financial particulars

Assets and liabilities in foreign currency as of December 31, 2019, as presented in the consolidated financial statements, were converted into Lebanese Pound at the official exchange rate of USD1 = LBP1,507.5 which significantly varies from the exchange rates in the parallel markets.

Loss allowances on deposits with banks, deposits with and certificates of deposit issued by the Central Bank of Lebanon in foreign currencies, and Lebanese government securities held at amortized cost or at fair value through other comprehensive income have not been assessed and determined in accordance with International Financial Reporting Standard (IFRS) 9 expected credit losses requirements and models, given the uncertainties surrounding the Government debt restructuring and the impact thereof on the exposure in foreign currencies with the Central Bank of Lebanon, and the absence of observable data in the financial market, therefore impacting Management's ability to make adequate impairment assessment.

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 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 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 economic crises and recession which has intensified as a result of the explosion in the Beirut Seaport and Covid 19 pandemic.

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 as of and beyond December 31, 2019.

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, 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. The Management did not comply with Central Bank of Lebanon intermediary circular 532 towards increasing its regulatory capital by 10% by December 31, 2019,which was subsequently amended through the Central Bank of Lebanon intermediate circular 567 requesting banks to increase regulatory capital by 20% by December 31, 2020. As per the Extraordinary General Assembly held on March 2, 2020, the Bank increased its regulatory capital by USD14,370,000.

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

2.1 New and amended IFRS Standards that are effective for the current year

The following new and revised IFRSs and amendments to IFRSs and Interpretations, which became effective for annual periods beginning on or after January 1, 2019, have been adopted in these consolidated financial statements.

2.1.1 IFRS 16 Leases

In the current year, the Group, for the first time, has adopted IFRS 16 Leases (as issued by the IASB in January 2016). The standard replaces the existing guidance on leases, including IAS 17 'Leases", IFRIC 4 'Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor. The impact of the adoption of IFRS 16 on the Group's financial statements is described below.

The date of initial application of IFRS 16 for the Group is January 1, 2019.

The Group has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. Therefore, there is no cumulative effect of adopting IFRS16 as an adjustment to the opening balance of retained earnings at January 1, 2019, nor a restatement of the comparative information.

Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to leases entered or modified before January 1, 2019. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after January 1, 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on Lessee Accounting

Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use) to all lease contracts entered into or modified on or after January 1, 2019. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of- use assets are subject to impairment.

Lease liabilities

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

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

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

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

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Applying IFRS 16, for all leases (except as noted below), the Group:

a) recognizes right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments;

b) recognizes depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and

c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

Based on the foregoing, as at January 1, 2019:

- Right-of-use assets of LBP4.5billion were recognised and presented within right-of-use assets in the consolidated statement of financial position.
- Lease liabilities of LB4.5billion were recognised and presented within lease liability in the consolidated statement of financial position.

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use Assets LBP'000	Lease Liabilities LBP'000
As at January 1, 2019	4,462,022	4,462,022
Depreciation expense	(1,279,629)	-
Interest expense	-	288,945
Settlements	-	(1,684,300)
As at December 31, 2019	3,182,393	3,066,667
Lease liability:		
Current portion		966,981
Non-current portion		2,099,686
		3,066,667

The Group recognized rent expense from short-term leases of LBP518million during the year ended December 31, 2019. Moreover, depreciation charge for right-of-use assets is presented within "Depreciation of right-of-use assets" in the consolidated statement of profit or loss. The interest charge on lease liabilities is presented within "Interest expense – lease liability" in the consolidated statement of profit or loss (Note 31).

2.2 New and amended IFRS applied with no material effect on the financial statements

The following new and revised standards and interpretations have been applied in the current period with no material impact on the disclosures and amounts reported for the current and prior periods, but may affect the accounting for future transactions or arrangements:

- Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.
- Amendments to IFRS 9 *Financial Instruments*: Related to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.
- Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

- IFRIC 23 Uncertainty over Income Tax Treatments
    - The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:
    - Whether tax treatments should be considered collectively;
    - Assumptions for taxation authorities' examinations;
    - The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
    - The effect of changes in facts and circumstances

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

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

New and revised IFRSs	**Effective for annual periods beginning on or after**
Definition of Material - Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'	January 1, 2020
Amendments to IAS 1 Presentation of Financial Statements Amendments regarding the classification of liabilities	January 1, 2023
Definition of a Business – Amendments to IFRS 3 *Business Combinations* The amendments clarify that to be considered a business, an integrated 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 output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.	January 1, 2020

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to *References to the Conceptual Framework in IFRS Standards* Amendments to References to the Conceptual Framework in IFRS Standards related 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 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	January 1, 2020
IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments Amendments regarding pre-replacement issues in the context of the IBOR reform	January 1, 2020
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)	January 1, 2022
IFRS 16 Leases Amendments to provide lessees with an exemption from assessing whether a COVID -19 related rent concession is a lease modification	June 1, 2020
IAS 37 Provisions, Contingent Liabilities and Contingent Assets *Amendments regarding the cost to include when assessing whether a contract is onerous*	January 1, 2022
IFRS 17 *Insurance Contracts* IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as at January 1, 2023.	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 consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendment, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation and Measurement

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 under property and equipment (except for two plots that were revalued during 2018).

Assets and liabilities are grouped according to their nature and are presented in an approximate order that reflects their relative liquidity.

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, 2019 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:

The consolidated financial statements are presented in Lebanese Pounds (LBP) which is the Group's reporting currency. The primary currency of the economic environment in which the Group operates (functional currency) is the U.S. Dollars ("USD").

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 offical 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 equity.

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).

<u>Debt instruments at amortised cost or at FVTOCI</u>

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.

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.

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.

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.

Fair value is determined as described below.

Other financial liabilities

Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs.

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. 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.

Fair Value Hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line of the income statement relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

J. 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.

K. 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.

L. Intangible Assets:

Intangible assets are stated at cost less any accumulated impairment loss. Intangible assets, other than goodwill consist of computer software and are amortized over a period of 5 years and are subject to impairment testing.

M. Assets acquired in satisfaction of loans:

Policy applicable to the Bank: Real estate properties acquired through the enforcement of collateral over loans and advances are stated at cost less any accumulated impairment losses. The acquisition of such assets is regulated by the local banking authorities which require the liquidation of these assets within 2 years from the date of approval of foreclosure by Banking Control Commission. 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 in the consolidated statement of profit or loss under "Other operating income, (net)". Gains resulting from the sale of repossessed assets are transferred to "Reserves from disposal of assets acquired in satisfaction of loans" starting in the following financial year.

N. 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 income.

O. Employees' Benefits:

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

<u>Employees' End-of-Service Indemnities</u>: (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.

P. 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.

Q. Net Interest Income:

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at FVTPL are 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.

R. 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.

S. Net interest and other gain/(loss) on 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.

T. Leases:

Policy applicable up to December 31, 2018:

Lease agreements which do not transfer substantially all the risks and benefits incidental to ownership of the leased items are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of profit or loss on a straight line basis over the lease term.

Policy applicable effective January 1, 2019:

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 Group did not make any such adjustments during the periods presented.

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 Bank 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.

U. 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.

V. Fiduciary 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.

W. Income Tax:

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

Current tax is the expected tax payable on the taxable profit for the year, using rates enacted at the financial position date. Income tax payable is reflected in the statement of financial position net of taxes previously settled in the form of withholding tax.

Interest earned on part of debt security was subject to withheld tax by the issuer. Effective October 27, 2017, and following the tax amendments to law No. 64, withheld tax on interest earned on inter-bank deposits and debt security is no more considered as prepayment on corporate income tax, and it is considered as deductible expense for the purpose of computing the corporate income tax. Withholding tax on interest was increased from 5% to 7% and from 7% to 10% effective August 1, 2019.

X. 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.

Y. 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.

Z. Dividends on Ordinary Shares:

Dividends 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.

A.A 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. However, the Directors highlight that the current market circumstances and uncertainties disclosed in Note 1, which has been worsened by the COVID-19 pandemic and Beirut Seaport explosion, which are outside their control, represent material uncertainties that may cast significant doubt on the entity's ability to continue as a going concern. The Board of Directors and those charged with governance believe that they are monitoring the current situation and taking all possible attainable remediation actions under the circumstances to ensure the sustainability of the business and viability of the Group.

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

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,	
	2019	2018
	LBP'000	LBP'000
Cash on hand	14,266,307	12,145,284
Current accounts with Central Bank of Lebanon (of which compulsory reserves LBP19.2billion in 2019 and LBP17.1billion in 2018)	225,486,653	40,757,144
Current accounts with others central banks	1,750,753	1,275,412
Term placements with Central Bank of Lebanon	685,368,495	660,542,515
Accrued interest receivable	21,241,787	15,190,210
	948,113,995	729,910,565
Provision for expected credit losses (Note 36)	(16,134,796)	(1,891,849)
	931,979,199	728,018,716

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 the equivalent in Euro of LBP1.14billion as at December 31, 2019 (LBP617million as at December 31, 2018) deposited in accordance with banking laws and regulations in Cyprus which require banks to maintain at the Central Bank of Cyprus mandatory interest earning deposits in Euro to the extent of 1% (1% as at December 31, 2018) 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 LBP257billion as at December 31, 2019 (LBP271billion as at December 31, 2018) 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,	
	2019	2018
	LBP'000	LBP'000
Checks in course of collection	21,234,138	13,782,274
Current accounts	53,482,648	39,614,702
Current accounts - related parties	1,340,358	2,168,555
Term placements	32,783,285	47,458,323
Margin accounts	35,020,569	43,225,932
Accrued interest receivable	45,978	193,035
	143,906,976	146,442,821
Provision for expected credit losses (Note 36)	(176,105)	(375,311)
	143,730,871	146,067,510

Deposits with banks and financial institutions include deposits in the amount of LBP4.39billion subject to right of set-off by the related correspondents against trade finance and other facilities at 2019 year end (LBP1.71billion against trade finance and other facilities as at December 31, 2018).

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,	
	2019	2018
	LBP'000	LBP'000
Resident	57,002,778	72,187,795
Non-resident	86,858,220	74,061,991
	143,860,998	146,249,786

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2019			December 31, 2018		
	LBP Base Accounts	Foreign Currency Base Accounts	Total	LBP Base Accounts	Foreign Currency Base Accounts	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Quoted equity securities	-	10,029,999	10,029,999	-	9,761,293	9,761,293
Lebanese treasury bills	240,463	-	240,463	240,321	-	240,321
Foreign treasury bills	-	59,847,750	59,847,750	-	37,199,071	37,199,071
Lebanese Government bonds	-	72,560	72,560	-	258,559	258,559
Corporate bonds	-	329,550	329,550	-	-	-
Accrued interest receivable	6,099	1,654	7,753	6,047	181,714	187,761
	246,562	70,281,513	70,528,075	246,368	47,400,637	47,647,005

The positive change in fair value of financial assets at fair value through profit or loss in the amount of LBP25million (LBP370million in 2018) 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. LOANS TO BANKS

	December 31,	
	2019	2018
	LBP'000	LBP'000
Discounted letters of credit and acceptances	-	7,627,631
	-	7,627,631

Loans to banks outstanding as at December 31, 2018 are reflected at amortized cost and represent letters of credit and acceptances discounted by customers and matured during 2019.

9. LOANS AND ADVANCES TO CUSTOMERS AND RELATED PARTIES

	December 31, 2019			December 31, 2018		
	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	51,318,996	(210,635)	51,108,361	65,626,748	(330,948)	65,295,800
Personal loans	6,114,178	(53,833)	6,060,345	10,615,254	(53,532)	10,561,722
Overdrafts	24,070,836	(141,411)	23,929,425	30,599,559	(154,311)	30,445,248
Other	3,156,829	(1,751)	3,155,078	8,699,618	(43,871)	8,655,747
Performing corporate customers – Stages 1 & 2:						
Large enterprises	411,616,572	(3,645,438)	407,971,134	726,146,339	(3,661,885)	722,484,454
Small and medium enterprises	264,186,846	(4,913,319)	259,273,527	221,918,601	(1,119,114)	220,799,487
Non-performing loans - Stage 3:						
Substandard	66,823,252	(19,621,250)	47,202,002	33,350,809	(1,968,054)	31,382,755
Bad and doubtful	15,189,520	(8,386,252)	6,803,268	13,125,654	(7,163,580)	5,962,074
Accrued interest receivable	1,643,696	-	1,643,696	1,689,596	-	1,689,596
	844,120,725	(36,973,889)	807,146,836	1,111,772,178	(14,495,295)	1,097,276,883

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

	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

	2018			
	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+)	350,698	-	-	350,698
Good and Satisfactory (A)	1,982,545	-	-	1,982,545
Adequate (A-)	632,586	-	-	632,586
Marginal and Vulnerable (B & B-)	-	2,397,832	-	2,397,832
Substandard and doubtful (C, D, & E)	-	-	9,131,634	9,131,634
Total	2,965,829	2,397,832	9,131,634	14,495,295

The movement of the provision for expected credit loss for the credit impaired loans and advances during 2019 and 2018 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, 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

	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, 2018	2,446,478	1,293,495	10,688,094	14,428,067
Additions upon implementation of IFRS9	2,956,315	217,383	(2,655,816)	517,882
Transfer to Stage 1	7,761	(7,761)	-	-
Transfer to Stage 2	(924,661)	924,661	-	-
Transfer to Stage 3	(1,520,064)	(29,946)	1,550,010	-
Write-backs	-	-	(224,529)	(224,529)
Write-offs	-	-	(226,125)	(226,125)
Loss allowance as at December 31, 2018	2,965,829	2,397,832	9,131,634	14,495,295

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 LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total 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

	Stage 1 12 month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Carrying amount as at January 1, 2018	1,067,455,896	55,466,062	33,916,580	1,156,838,538
Changes in carrying amount:				
Transfer to Stage 1	15,522,509	(15,522,509)	-	-
Transfer to Stage 2	(16,382,675)	17,974,389	(1,591,714)	-
Transfer to Stage 3	(22,473,493)	(524,565)	22,998,058	-
Financial assets that have been derecognized	(36,955,587)	(2,844,124)	(8,395,807)	(48,195,518)
Write-offs	-	-	(226,125)	(226,125)
Write backs	-	-	(224,529)	(224,529)
New financial assets originated or purchased	1,890,216	-	-	1,890,216
Carrying amount as at December 31, 2018	1,009,056,866	54,549,253	46,476,463	1,110,082,582

10. INVESTMENT SECURITIES

	December 31, 2019			December 31, 2018		
	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)	155,427,093	273,759,232	429,186,325	167,130,956	263,573,384	430,704,340
Accrued interest receivable	3,649,563	3,177,853	6,827,416	3,715,440	4,226,728	7,942,168
Provision for expected credit losses	(9,873)	(7,542,061)	(7,551,934)	(569,343)	(1,881,006)	(2,450,349)
Provision for expected credit losses on Lebanese Government Bonds recorded in LBP	(3,243,870)	-	(3,243,870)	-	-	-
Provision for expected credit losses on Certificates of deposit denominated in F/cy recorded in LBP	(1,945,366)	-	(1,945,366)	-	-	-
	153,877,547	269,395,024	423,272,571	170,277,053	265,919,106	436,196,159
Financial assets at fair value through other comprehensive income (B)	615,120	36,935,154	37,550,274	615,120	67,381,671	67,996,791
Accrued interest receivable	-	603,313	603,313	-	763,800	763,800
	615,120	37,538,467	38,153,587	615,120	68,145,471	68,760,591
	154,492,667	306,933,491	461,426,158	170,892,173	334,064,577	504,956,750

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

	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

	December 31, 2018									
	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	Fair Value LBP'000	Accrued Interest Receivable LBP'000	Amortized Cost LBP'000	Provision for Expected Credit Losses LBP'000	Net Carrying Amount LBP'000	Fair Value LBP'000	Accrued Interest Receivable LBP'000
Lebanese treasury bills	95,521,447	(569,343)	94,952,104	92,647,078	1,712,649	-	-	-	-	-
Lebanese Government bonds	-	-	-	-	-	92,043,722	(1,024,650)	91,019,072	83,490,250	2,733,896
Certificates of deposit issued by the Central Bank of Lebanon	70,109,509	-	70,109,509	61,267,524	1,973,781	155,618,509	(856,356)	154,762,153	129,338,133	1,295,297
Corporate bonds	1,500,000	-	1,500,000	1,500,000	29,010	15,911,153	-	15,911,153	15,981,163	197,535
	167,130,956	(569,343)	166,561,613	155,414,602	3,715,440	263,573,384	(1,881,006)	261,692,378	228,809,546	4,226,728

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

	December 31, 2019 LBP Base Accounts				
	Nominal Value LBP'000	Amortized Cost LBP'000	Provision for Expected Credit Losses LBP'000	Net Carrying Amount LBP'000	Yield 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	

	December 31, 2018 LBP Base Accounts					
	Nominal Value LBP'000	Amortized Cost LBP'000	Provision for Expected Credit Losses LBP'000	Net Carrying Amount LBP'000	Fair Value LBP'000	Yield LBP'000
Lebanese treasury bills:						
Up to one year	9,830,000	9,959,946	(34,668)	9,925,278	9,875,925	6.82%
1 year to 3 years	55,775,000	57,234,342	(199,218)	57,035,124	55,929,761	7.20%
3 years to 5 years	14,121,850	14,252,963	(56,031)	14,196,932	14,184,831	7.09%
5 years to 10 years	13,378,700	14,074,196	(279,426)	13,794,770	12,656,561	7.52%
	93,105,550	95,521,447	(569,343)	94,952,104	92,647,078	
Certificates of deposit issued by the Central Bank of Lebanon:						
1 year to 3 years	1,000,000	1,023,403	-	1,023,403	982,726	7.62%
3 years to 5 years	10,000,000	10,500,479	-	10,500,479	9,576,550	7.85%
5 years to 10 years	53,000,000	58,585,627	-	58,585,627	50,708,248	8.11%
	64,000,000	70,109,509	-	70,109,509	61,267,524	
Corporate bonds:						
1 year to 3 years	1,500,000	1,500,000	-	1,500,000	1,500,000	8.00%
	1,500,000	1,500,000	-	1,500,000	1,500,000	
	158,605,550	167,130,956	(569,343)	166,561,613	155,414,602	

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

Contractual Maturity	December 31, 2019 F/Cy Base Accounts Nominal Value LBP'000	Amortized Cost LBP'000	Provision for Expected Credit Losses LBP'000	Net Carrying Amount LBP'000	Yield 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	

Contractual Maturity	December 31, 2018 F/Cy Base Accounts Nominal Value LBP'000	Amortized Cost LBP'000	Provision for Expected Credit Losses LBP'000	Net Carrying Amount LBP'000	Fair Value LBP'000	Yield LBP'000
Lebanese Government bonds:						
3 years to 5 years	6,030,000	6,139,969	(67,891)	6,072,078	5,103,189	6.29%
5 years to 10 years	44,772,750	41,152,844	(869,415)	40,283,429	36,124,600	6.91%
Beyond 10 years	53,124,300	44,750,909	(87,344)	44,663,565	42,262,461	8.31%
	103,927,050	92,043,722	(1,024,650)	91,019,072	83,490,250	
Certificates of deposit issued by the Central Bank of Lebanon:						
3 years to 5 years	76,882,500	77,779,591	(428,016)	77,351,575	67,052,846	6.40%
5 years to 10 years	53,064,000	55,107,325	(303,250)	54,804,075	45,326,666	6.64%
Beyond 10 years	22,612,500	22,731,593	(125,090)	22,606,503	16,958,621	7.20%
	152,559,000	155,618,509	(856,356)	154,762,153	129,338,133	
Corporate Bonds:						
1 year to 3 years	7,160,625	7,147,570	-	7,147,570	7,160,625	5.98%
3 years to 5 years	1,584,538	1,584,538	-	1,584,538	1,584,538	7.19%
5 years to 10 years	7,236,000	7,179,045	-	7,179,045	7,236,000	6.55%
	15,981,163	15,911,153	-	15,911,153	15,981,163	
	272,467,213	263,573,384	(1,881,006)	261,692,378	228,809,546	

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

	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

	2018			
	Lebanese Treasury Bills	Certificates of Deposit issued by the Central Bank of Lebanon	Corporate Bonds	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1	131,054,143	64,925,671	1,500,000	197,479,814
Reclassifications upon implementation of IFRS 9	(93,524,438)	(33,075,210)	-	(126,599,648)
Additions	63,510,000	35,000,000	-	98,510,000
Redemptions	(6,920,000)	-	-	(6,920,000)
Net variation in premium	1,401,742	3,259,048	-	4,660,790
Provision for expected credit losses	(569,343)	-	-	(569,343)
Balance December 31	94,952,104	70,109,509	1,500,000	166,561,613

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

	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

	2018			
	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	101,452,978	237,628,082	18,296,778	357,377,838
Reclassifications upon implementation of FRS 9	(64,237,753)	(81,430,628)	-	(145,668,381)
Additions	62,406,731	-	-	62,406,731
Redemptions	(3,950,191)	-	(2,398,141)	(6,348,332)
Net variation in premium	(3,676,329)	(578,945)	12,516	(4,242,758)
Effect of exchange rates changes	48,286	-	-	48,286
Provision for credit expected losses	(1,024,650)	(856,356)	-	(1,881,006)
Balance December 31	91,019,072	154,762,153	15,911,153	261,692,378

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

	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

	December 31, 2018				
	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
Lebanese Government bonds	-	-	29,127,915	23,102,111	368,125
Certificates of deposit issued by the Central Bank of Lebanon	-	-	46,732,500	40,251,907	374,434
Corporate bonds	-	-	3,081,423	3,081,423	21,241
Unquoted equity securities	615,120	615,120	946,230	946,230	-
	615,120	615,120	79,888,068	67,381,671	763,800

Following the adoption of IFRS 9 on January 1, 2018 the Group reclassified the following financial assets from amortized cost portfolio to financial assets at fair value through comprehensive income.

	Fair Value January 1, 2018	Carrying Value December 31, 2017	Change in Fair Value of Financial Assets at Fair Value Through Other Comprehensive Income on the Date of Adoption of IFRS 9
	LBP'000	LBP'000	LBP'000
Lebanese Government bonds	61,827,045	64,237,753	(2,410,708)
Certificates of deposit issued by the Central Bank of Lebanon	112,588,078	114,505,838	(1,917,760)
Lebanese treasury bills	95,098,527	93,524,438	1,574,089
	269,513,650	272,268,029	(2,754,379)

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 Outarde 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 LBP901million) as at December 31, 2019 (C/V LBP921million as at December 31, 2018).

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	**Fair Value**	**Yield**
	LBP'000	**LBP'000**	**%**
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	

	2018		
	Cost	**Fair Value**	**Yield**
	LBP'000	**LBP'000**	**%**
Lebanese Government bonds:			
3 years to 5 years	108,540	93,334	6.23%
5 years to 10 years	15,301,125	12,606,845	6.94%
Beyond 10 years	13,718,250	10,401,932	7.80%
	29,127,915	23,102,111	
Certificates of deposit issued by the Central Bank of Lebanon:			
3 years to 5 years	46,732,500	40,251,907	6.53%
	46,732,500	40,251,907	
Corporate Bonds:			
1 year to 3 years	1,272,423	1,272,423	5.80%
5 years to 10 years	1,809,000	1,809,000	7.25%
	3,081,423	3,081,423	
	78,941,838	66,435,441	

The movement of financial assets at fair value through other comprehensive income, denominated in Lebanese Pounds excluding accrued interest, is summarized as follows for 2018. It is worth noting that no movement occurred on this category of financial assets during 2019:

	Lebanese Treasury Bills LBP'000	Certificates of Deposit issued by the Central Bank of Lebanon LBP'000	Unquoted Equity Securities LBP'000	Total LBP'000
Balance January 1, 2018	-	-	615,120	615,120
Reclassifications upon implementation of IFRS 9	95,098,527	33,197,550	-	128,296,077
Sales	(95,098,527)	(33,197,550)	-	(128,296,077)
Balance December 31, 2018	-	-	615,120	615,120

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

	2019				
	Lebanese Government Bonds LBP'000	Certificates of Deposit issued by the Central Bank of Lebanon LBP'000	Corporate Bonds LBP'000	Unquoted Equity Securities LBP'000	Total 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

	2018				
	Lebanese Government Bonds LBP'000	Certificates of Deposit issued by the Central Bank of Lebanon LBP'000	Corporate Bonds LBP'000	Unquoted Equity Securities LBP'000	Total LBP'000
Balance January 1	-	-	-	991,140	991,140
Reclassifications upon implementation of IFRS 9	61,827,045	79,390,528	-	-	141,217,573
Additions	13,793,625	-	24,186,423	-	37,980,048
Redemptions	(37,687)	-	(21,105,000)	-	(21,142,687)
Sales	(58,566,375)	(40,702,500)	-	-	(99,268,875)
Reclassifications from fair value through profit and loss	9,836,261	6,030,000	-	-	15,866,261
Net variation in premium	245,679	970,489	-	-	1,216,168
Effect of exchange rates changes	-	-	-	(44,910)	(44,910)
Change in fair value of financial assets at fair value through other comprehensive income	(3,996,437)	(5,436,610)	-	-	(9,433,047)
Balance December 31	23,102,111	40,251,907	3,081,423	946,230	67,381,671

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 LBP20.3billion net of allowance for expected credit losses in the amount of LBP59million. 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,	
	2019	2018
	LBP'000	LBP'000
Assets under leverage arrangements:		
Term placements with Central Bank of Lebanon	386,940,000	330,368,000
Lebanese Treasury bills at amortized cost	64,821,975	64,821,975
	451,761,975	395,189,975
Less:		
Leverage arrangements	(451,761,975)	(395,189,975)
	-	-

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, 2019 and 2018 for comparative purpose.

	December 31,	
	2019	2018
	LBP'000	LBP'000
Term placements with Central Bank of Lebanon	301,123,125	255,898,125
Government bonds at amortized cost	60,781,040	60,781,040
	361,904,165	316,679,165

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, 2019 Carrying Value	December 31, 2018 Carrying Value
		%	LBP'000	LBP'000
Banque Bemo Saudi Fransi S.A.	Syria	22	23,974,070	23,102,054
			23,974,070	23,102,054

The movement of investment in an associate is as follows:

	2019	2018
	LBP'000	LBP'000
Balance January 1	23,102,054	20,994,413
Share in profit of an associate (Note 35)	2,026,661	2,097,287
Currency translation adjustment for the year	41,016	28,949
Change in fair value of investment securities	(737,870)	32,187
Other adjustment	(457,791)	(50,782)
Balance December 31	23,974,070	23,102,054

The movement of the currency translation adjustment for the years 2019 and 2018 is as follows:

	2019	2018
	LBP'000	LBP'000
Balance January 1	479,261	450,312
Additions	41,016	28,949
Balance December 31	520,277	479,261

The summarized consolidated financial statements of the associate, Banque Bemo Saudi Fransi S.A. (investee), are provided below:

	December 31, 2019 (Unaudited)	December 31, 2018 (Unaudited)
	LBP'000	LBP'000
Total Assets	1,111,787,885	1,056,101,974
Total Liabilities	1,002,304,608	950,595,626
Equity of the group	108,973,046	105,009,372
Equity attributable to non controlling interests	510,231	496,976

Summarized consolidated statement of profit or loss:

	Year Ended December 31,	
	2019 (Unaudited) LBP'000	2018 (Unaudited) LBP'000
Interest income	58,012,847	43,132,797
Interest expense	(16,645,558)	(14,205,331)
Fees and commission income	12,215,631	7,281,439
Fees and commission expense	(899,551)	(1,777,795)
Administrative expenses	(8,365,067)	(6,823,861)
Staff costs	(18,308,958)	(13,683,825)
Provision for expected credit losses	(26,317,656)	(444,892)
Other provisions, net	8,364,749	(989,933)
Depreciation and amortization expense	(2,862,785)	(2,167,111)
Unrealized gain/(loss) on capital revaluation, net	99,208	131,585
Others	4,039,097	4,179,244
Income tax expense	-	(4,395,672)
	9,331,957	10,236,645

During the period subsequent to the statement of financial position date, the Group exited from the direct and indirect representation on the Board of Directors of the investee and therefore does not exercise any influence on the investee.

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 LBP102million was appropriated in 2019 from 2018 income (LBP105million in 2018).

The movement of assets acquired in satisfaction of loans during 2019 and 2018 is detailed as follows:

	LBP'000
Beginning balance, January 1, 2018	2,073,984
Additions	833,025
Ending balance, December 31, 2018	2,907,009
Additions	1,314,414
Ending balance, December 31, 2019	4,221,423

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, 2018	7,222,927	8,445,646	2,673,053	6,945,150	847,186	11,603,939	13,174,278	50,912,179
Additions	-	-	85,651	432,814	4,456	31,863	11,055,316	11,610,100
Revaluation	7,918,404	9,915,390	-	-	-	-	-	17,833,794
Disposals	-	-	(31,667)	(128,570)	(64,298)	(8,103)	-	(232,638)
Balance, December 31, 2018	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	-	-	(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
Accumulated Depreciation:								
Balance, January 1, 2018	-	1,982,355	2,111,072	5,388,105	407,919	8,065,726	-	17,955,177
Additions	-	215,031	83,793	498,861	75,953	952,245	-	1,825,883
Disposals	-	-	(29,778)	(121,375)	(64,293)	(7,442)	-	(222,888)
Balance, December 31, 2018	-	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
Carrying Amount:								
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
December 31, 2018	15,141,331	16,163,650	561,950	1,483,803	367,765	2,617,170	24,229,594	60,565,263

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

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).

Advances on capital expenditures during 2018 amounting to LBP11billion, represented the 4th and 5th payments on plot number 660 as well as the 1st, 2nd and 3rd payments on the additional sections of plot number 660 purchased in April 2018.

During 2018, the Group revalued its land and buildings held in Ashrafieh and Bouchrieh, which resulted in a revaluation surplus in the amount of LBP17.8billion. The revaluation surplus was subject to withheld taxes at the rate of 5% amounting to LBP891million that was fully settled during 2018.

16. INTANGIBLE ASSETS

	Purchased Software LBP'000
Cost:	
Balance, January 1, 2018	5,248,849
Acquisitions	198,322
Write-off	(346,939)
Balance, December 31, 2018	5,100,232
Acquisitions	115,109
Balance December 31, 2019	5,215,341
Amortization:	
Balance, January 1, 2018	4,063,530
Amortization of the year	408,958
Write-off	(346,939)
Balance, December 31, 2018	4,125,549
Amortization of the year	360,657
Balance December 31, 2019	4,486,206
Carrying Amount:	
December 31, 2019	729,135
December 31, 2018	974,683

17. OTHER ASSETS

	December 31,	
	2019	2018
	LBP'000	LBP'000
Exchange difference on fixed exchange position	231,654	263,578
Fair value of forward exchange contracts	2,466,154	4,088,679
Stamps	71,128	108,845
Receivables from securitization operations	2,224,163	2,401,151
Receivables from an associate and a related party bank	2,141,058	2,141,058
Prepayments	2,781,102	3,032,872
Receivables from a financial institution – credit and operations	2,282,715	2,307,582
Receivables from National Social Security Fund (Net of provision)	1,317,416	1,148,109
Sundry accounts receivable	3,955,265	3,346,184
	17,470,655	18,838,058

Provision for doubtful receivables of LBP227thousand was set up during 2019 against receivables from the National Social Security Fund (LBP183million for the year 2018). Total provision as at December 31, 2019 amounts to LBP1,051million (LBP899million as at December 31, 2018).

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 2019 amounted to LBP122million recorded under interest income in the statement of profit or loss and other comprehensive income (LBP106million during 2018) (Note 30).

18. DEPOSITS AND BORROWINGS FROM BANKS AND FINANCIAL INSTITUTIONS

	December 31,	
	2019	2018
	LBP'000	LBP'000
Current deposits of banks and financial institutions	14,051,213	1,563,744
Current deposits – Related parties	132,979,889	57,083,786
Money market deposits	83,505,687	102,545,575
Money market deposits - Related parties	95,007,130	81,528,303
Accrued interest payable	7,094,202	3,644,360
	332,638,121	246,365,768

19. CUSTOMERS AND RELATED PARTIES ACCOUNTS AT AMORTIZED COST

	December 31, 2019 LBP'000	December 31, 2018 LBP'000
Deposits from customers:		
Current and demand deposits	502,387,866	323,179,592
Term deposits	1,249,750,040	1,510,611,957
Collateral against loans and advances	43,529,749	101,131,242
Margins and other accounts:		
Margins for irrevocable import letters of credit	712,737	2,628,481
Margins on letters of guarantee	3,579,348	5,995,146
Other margins	11,860,451	13,245,898
Margins on trading transactions	3,403,160	4,063,256
Accrued interest payable:	14,131,600	10,046,630
Total	1,829,354,951	1,970,902,202

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

	December 31, 2019		
	Total Deposits LBP'000	% to Total Deposits %	% to Total No. of Customers %
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

	December 31, 2018		
	Total Deposits LBP'000	% to Total Deposits %	% to Total No. of Customers %
Less than LBP200million	147,850,546	7.50	72.33
From LBP200million to LBP1.5billion	594,473,946	30.16	21.81
Over LBP1.5billion	1,228,577,710	62.34	5.86
	1,970,902,202	100.00	100.00

Term deposits as at December 31, 2019 include fiduciary deposits received from a non-resident related party bank in the amount of LBP2.17billion (LBP7.74billion as at December 31, 2018).

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
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
2017	262,476,131	6.10	1,861,189,587	3.27	77,595,526

20. OTHER TERM BORROWINGS

	December 31,	
	2019	2018
	LBP'000	LBP'000
Other term borrowings	13,391,505	15,247,943
Accrued interest	-	467,551
	13,391,505	15,715,494

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 2019 and 2018 is summarized as follows:

	2019	2018
	LBP'000	LBP'000
Balance January 1	15,247,943	11,904,958
Settlements/additions	(1,856,438)	3,342,985
Balance December 31	13,391,505	15,247,943

21. OTHER LIABILITIES

	December 31, 2019 LBP'000	December 31, 2018 LBP'000
Current tax liability (a)	2,288,992	4,997,380
Deferred tax liability	501,838	501,838
Withheld tax on salaries	434,845	673,774
Withheld tax on interest	1,118,653	620,507
Due to the National Social Security Fund	274,805	429,479
Checks and incoming payment orders in course of settlement	414,245	362,257
Accrued expenses	5,455,899	3,057,842
Sundry accounts payable	3,015,512	1,502,509
Regulatory deferred liability (b)	-	-
Other taxes payable (c)	5,274,695	4,050,077
	18,779,484	16,195,663

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

	2019 LBP'000	2018 LBP'000
Profit before income tax	(9,839,823)	33,801,331
Add: Non-deductible expenses/losses	28,935,526	1,010,489
Less:		
Non-taxable revenues/gains	(4,355,459)	(3,646,852)
Income of Cyprus branch and subsidiaries	(1,909,935)	(692,490)
Taxable income for the year	12,830,309	30,472,478
Enacted tax rate in Lebanon	17%	17%
	2,181,153	5,180,321
Add: Income tax provision - branches and subsidiaries	331,766	181,910
Income tax expense	2,512,919	5,362,231
Less: Tax paid during the year in the form of withholding tax	-	(260,403)
Less: Cyprus income tax paid during the year	(231,297)	(111,818)
	2,281,622	4,990,010
Brought forward balance from non-resident branch	7,370	7,370
Current tax liability	2,288,992	4,997,380

The Bank's tax returns for the fiscal years 2012 and 2013 were reviewed by the tax authorities resulting in additional taxes in the amount of LBP158million which was settled during 2019.

The Bank's tax returns for fiscal years 2015 to 2019 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 2014 remain subject to review and assessment by the tax authorities. Any additional liability depends on the outcome of these reviews.

(b) In accordance with the Central Bank of Lebanon Intermediary Circular number 446, deferred liability which is regulated in nature shall be appropriated, among other things, after deducting the relevant tax liability, to collective provision for credit risks associated with the loan book at a minimum of 2% of the weighted credit risks, and that in anticipation of implementation of IFRS 9 for impairment, as and when quantified effective on January 1, 2018.

In light with the above, the Bank recognized an amount of LBP10.9billion in the statement of changes in equity to offset the expected credit losses that resulted from the application of IFRS 9 on January 1, 2018, in accordance with the Central Bank of Lebanon requirements as indicated above.

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

22. PROVISIONS

Provisions consist of the following:

	December 31,	
	2019	2018
	LBP'000	LBP'000
Provision for employees' end-of-service indemnities	2,967,570	4,201,680
Provision for contingencics	2,002,809	2,199,512
Provision for loss on foreign currency position	285,654	317,580
Provision for expected credit losses (Note 36)	59,421	207,434
	5,315,454	6,926,206

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

	2019	2018
	LBP'000	LBP'000
Balance January 1	4,201,680	5,408,438
Settlements	(354,883)	(1,045,126)
Write-back (Note 37)	(864,354)	(156,085)
Exchange difference	(14,873)	(5,547)
Balance December 31	2,967,570	4,201,680

The movement of the provision for contingencies was as follows:

	2019 LBP'000	2018 LBP'000
Balance January 1	2,199,512	2,614,681
Additions	196,585	109,443
Settlements	-	(358,000)
Write-back	(393,288)	(166,612)
Balance December 31	2,002,809	2,199,512

23. SUBORDINATED BONDS

This caption consists of the following:

	December 31,	
	2019 LBP'000	2018 LBP'000
Subordinated bonds	90,450,000	90,450,000
Accrued interest	-	5,073,886
	90,450,000	95,523,886

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, 2019 amounting to LBP5.95billion is recorded under "Interest expense" in the consolidated statement of profit or loss (LBP5.95billion for the year ended December 31, 2018) (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, 2019 is composed of 77,500,000 issued shares (62,000,000 as at December 31, 2018) of LBP1,004 each authorized and fully paid and divided as follows:

- Listed Shares : 51,400,000 as at December 31,2019 and 2018
- Unlisted Shares : 26,100,000 as at December 31,2019 (10,600,000 as at December 31,2018)

The movement of treasury shares during 2019 and 2018 was as follows:

	2019		2018	
	# of Shares	Amount LBP'000	# of Shares	Amount LBP'000
Balance - January 1	1,025,131	3,619,239	779,471	3,179,389
Acquisition	31,501	59,887	245,660	439,850
Distribution	258,783	-	-	-
Balance - December 31	1,315,415	3,679,126	1,025,131	3,619,239

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

This caption represents capital injection of USD19,306,789 made by shareholders, in the form of shareholders' cash contribution to capital, each to the extent of his/her shareholding in the Group's equity. Effective 2011, the General Assembly of shareholders approved to call-off interest on cash contribution to capital.

This type of equity instrument consists of non-refundable capital injection which could be converted into share capital and it has the advantage of being booked and maintained in foreign currencies which allows for hedging against national currency fluctuation.

27. RESERVES

	December 31, 2019 LBP'000	December 31, 2018 LBP'000
Legal reserve (a)	14,410,572	11,767,101
Free reserves	11,449,314	6,390,676
Non-distributable reserve	43,352,187	43,352,186
Reserve for assets acquired in satisfaction of loans (Note 14)	1,228,166	1,125,819
	70,440,239	62,635,782

(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, 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)

	Year Ended December 31, 2018		
	Group's Share LBP'000	Non-Controlling Interests LBP'000	Total LBP'000
Profit of the Bank	28,411,673	-	28,411,673
Profit/(loss) of subsidiaries:			
Bemo Securitization S.A.L.	143,375	-	143,375
Depository and Custody Company S.A.L.	51,786	52	51,838
Bemo Investment Firm Ltd.	(167,786)	-	(167,786)
Total	28,439,048	52	28,439,100

29. DIVIDENDS PAID

	2019 LBP'000	2018 LBP'000
LBP100 per common share paid by the Bank in 2018	-	6,098,794
USD7 per preferred share paid by the Bank in 2019 (USD7 per share in 2018)	3,693,375	3,693,375
	3,693,375	9,792,169

30. INTEREST INCOME

	Year Ended December 31,	
	2019 LBP'000	2018 LBP'000
Term deposits with central banks (Note 5)	59,647,411	48,329,002
Deposits with banks and financial institutions	5,682,968	2,229,849
Deposits with related party banks and financial institutions	234,519	167,401
Financial assets at amortized cost	35,074,280	19,868,473
Financial assets at fair value through other comprehensive income	7,096,070	14,068,477
Loans and advances to customers	83,320,948	76,770,938
Loans and advances to related parties	47,504	61,922
Interest realized on impaired loans and advances to customers (Note 9)	614,622	43,480
	191,718,322	161,539,542
Withheld taxes (Note 3W)	(8,450,824)	(6,493,638)
	183,267,498	155,045,904

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, 2019 LBP'000	Year Ended December 31, 2018 LBP'000
Interest expense on:		
Borrowings from Central Bank of Lebanon (Note 20)	268,168	338,242
Deposits and borrowings from banks and financial institutions	8,277,615	3,725,367
Deposits and borrowings from related party banks and financial institutions	7,081,557	5,507,982
Customers' accounts at amortized cost	99,495,614	83,882,964
Related parties' accounts at amortized cost	1,561,231	2,551,548
Subordinated bonds (Note 23)	5,954,625	5,954,625
Interest expense –lease liability	288,945	-
	122,927,755	101,960,728

32. FEE AND COMMISSION INCOME

	Year Ended December 31, 2019 LBP'000	Year Ended December 31, 2018 LBP'000
Commission on documentary credits	871,207	762,535
Commission on letters of guarantee	1,516,274	2,007,546
Commission on other customers' transactions	1,186,025	1,282,054
Service fees on customers' transactions	5,092,531	5,910,548
Other	563,738	595,062
	9,229,775	10,557,745

33. FEE AND COMMISSION EXPENSE

	Year Ended December 31, 2019 LBP'000	Year Ended December 31, 2018 LBP'000
Commission on transactions with banks	75,259	196,938
Other	249,913	189,589
	325,172	386,527

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

	Year Ended December 31,	
	2019	2018
	LBP'000	LBP'000
Dividends received on equity securities	623,557	572,779
Interest received on debt securities	161,412	500,061
Unrealized gain (Note 7)	25,047	370,162
Realized gain/(loss)	1,509,966	(536,452)
	2,319,982	906,550

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

	Year Ended December 31,	
	2019	2018
	LBP'000	LBP'000
Share in profit of an associate (Note 13)	2,026,661	2,097,287
Revenues and commissions from securitization operations	2,520,569	4,365,502
Realized loss from sale of assets at fair value through other comprehensive income	(1,857,681)	(655,908)
Other	31,876	176,626
	2,721,425	5,983,507

36. PROVISION FOR EXPECTED CREDIT LOSSES, NET

	Deposits with central banks LBP'000	Deposits with banks and financial institutions LBP'000	Loans and advances to customers LBP'000	Financial assets classified at amortized cost LBP'000	Financial assets at fair value through other comprehensive income LBP'000	Acceptances LBP'000	Other assets LBP'000	Indirect and unutilized facilities LBP'000	Total LBP'000
Balance as of January 1, 2018	-	-	8,874,475	-	-	-	739,609	-	9,614,084
Effect of IFRS 9 adoption	786,169	365,971	5,553,592	1,829,209	1,655,972	20,095	-	643,362	10,854,370
Amended balance January 1, 2018	786,169	365,971	14,428,067	1,829,209	1,655,972	20,095	739,609	643,362	20,468,454
Additions	1,105,680	9,340	517,882	621,140	-	40,665	157,891	-	2,452,598
Write-back	-	-	(224,529)	-	(1,184,494)	-	-	(435,928)	(1,844,951)
Write-offs	-	-	(226,125)	-	-	-	-	-	(226,125)
Balance as of December 31, 2018	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

37. STAFF COSTS

	Year Ended December 31, 2019 LBP'000	Year Ended December 31, 2018 LBP'000
Salaries and related charges	20,541,652	21,431,693
Social security contributions	2,188,633	2,343,952
Write-back for employees' end-of-service indemnities (net) (Note 22)	(864,354)	(156,085)
	21,865,931	23,619,560

38. ADMINISTRATIVE EXPENSES

	Year Ended December 31, 2019 LBP'000	Year Ended December 31, 2018 LBP'000
Travel and entertainment	385,317	399,016
Advertisement and publicity	1,065,336	1,322,148
Professional fees	3,242,186	2,693,317
Maintenance and repairs	1,848,335	1,730,685
Electricity and fuel	451,979	431,119
Telephone expenses	476,620	500,081
Printing and stationary	326,455	378,241
Rent and building services (Note 2)	786,226	2,005,951
Insurance	426,516	351,387
Subscriptions	1,789,556	1,678,813
Gifts and donations	293,837	168,607
Attendance fees	340,587	491,782
Fees and taxes	1,361,516	1,026,814
Other	2,389,772	2,061,870
	15,184,238	15,239,831

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:

	2019 LBP'000	2018 LBP'000
Number of common shares outstanding during the year	77,500,000	62,000,000
Weighted average number of treasury shares	(1,176,289)	(999,344)
Weighted average number of common shares adjusted for the effect of treasury shares	76,323,711	61,000,656

	2019 LBP'000	2018 LBP'000
Net (loss)/profit attributable to equity holders of the Group	(12,352,792)	28,439,048
Less dividends to preferred shares (Note 29)	-	(3,693,375)
Net (loss)/profit attributable to equity holders of the Group	(12,352,792)	24,745,673
Basic earnings per share in LBP	-	405/66
Diluted earnings per share in LBP	-	405/66

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, 2019 and 2018 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,	
	2019 LBP'000	2018 LBP'000
Fiduciary deposits from customers invested in other banks	7,243	96,352
Fiduciary deposits for wealth management	23,764,720	43,057,714
Fiduciary deposits from customers invested in loans granted to other customers	8,667,132	55,181,339
	32,439,095	98,335,405

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,	
	2019	2018
	LBP'000	LBP'000
Shareholders, directors and other key management personnel and close family members:		
Direct facilities and credit balances:		
Secured loans and advances	876,598	1,178,883
Unsecured loans and advances	78,739	59,216
Deposits	11,250,251	15,116,683
Associated companies:		
Direct facilities and credit balances:		
Unsecured loans and advances	14,248	6,503
Deposits	38,625,523	43,228,760
Indirect facilities:		
Letters of guarantee	94,842	829,885

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 and by cash collaterals to the extent of LBP25million as at December 31, 2019 (LBP995million and LBP212million respectively as at December 31, 2018).

The remuneration of executive management team amounted to LBP6.3billion during 2019 (LBP5.95billion during 2018).

43. CASH AND CASH EQUIVALENTS

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

	December 31,	
	2019	2018
	LBP'000	LBP'000
Cash	14,266,307	12,145,284
Current accounts with central banks (excluding compulsory reserve)	208,009,917	24,979,724
Term placements with Central Bank of Lebanon	97,233,750	39,948,750
Checks for collection and current accounts with banks and financial institutions	76,057,144	55,565,531
Term placements with banks and financial institutions	31,652,660	45,647,356
	427,219,778	178,286,645

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

The statement of cash flow is prepared after excluding the effect of the following non-cash transactions relevant to the year 2018:

	2018 LBP'000
Operating Activities:	
Deposits with central banks	(1,891,849)
Deposits with banks and financial institutions	(375,311)
Loans and advances to customers and related parties	(5,846,945)
Investment securities	(2,450,350)
Customers' liability under acceptances	(60,760)
Other assets	(183,005)
Other liabilities	10,061,231
Provisions	(280,870)
Cumulative change in fair value of investment securities	(471,478)
Retained earnings	607,647
Revaluation	(16,942,104)
	(17,833,794)
Investing Activities:	
Property and equipment	17,833,794

44. COLLATERAL GIVEN

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

	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

	December 31, 2018		
	Pledged Amount LBP'000	**Nature of Facility**	**Amount of Facility LBP'000**
Deposits with banks and Financial institutions	43,225,932	Forward contracts	152,059,537
		Options and swaps	7,779,733
	43,225,932	Acceptances less than one year	4,253,544

45. CAPITAL MANAGEMENT

The Group manages its capital to comply with the capital adequacy requirements set by the Central Bank of Lebanon, the Group's lead regulator.

Central Bank of Lebanon requires each bank or banking group to hold a minimum level of regulatory capital of LBP10billion for the head office and LBP500million for each local branch and LBP1.5billion for each branch abroad.

Pursuant to Central Bank Decision No 10848 dated December 7, 2011, adopted with respect to the application of the Basel III regulation, all banks operating in Lebanon must gradually reach the following capital ratios:

Ratio	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019
	%	%	%	%
Common Equity Tier 1 ratio	8.5	9	10	7
Tier 1 ratio	11	12	13	8.5
Total Capital ratio	14	14.5	15	10.5

The Group's capital is split as follows:

Tier I capital: Comprises share capital after deduction of treasury shares, shareholders' cash contribution to capital, non-cumulative perpetual preferred shares, reserves from appropriation of profits, retained earnings (exclusive of current year's net profit) and non-controlling interests, intangible assets and unfavorable change in fair value of investments at fair value through other comprehensive income are deducted from Tier I Capital.

Tier II capital: Comprises qualifying subordinated liabilities and 50% of the cumulative favorable change in fair value through other comprehensive income and other regulatory reserves.

Investments in associates are deducted from Tier I and Tier II capital.

Furthermore, various limits are applied to the elements of capital base: Qualifying Tier II capital cannot exceed Tier I capital and qualifying short term subordinated loan capital may not exceed 50% of Tier I capital.

The Group's risk based capital ratio according to Central Bank of Lebanon directives and Basel III as of December 31, 2019 and 2018, is as follows:

	December 31,	
	2019	2018
	LBP million	LBP million
Risk-weighted assets	2,621,434	1,895,072
Credit risk	2,446,544	1,740,104
Market risk	27,164	26,890
Operational risk	147,726	128,078
Common equity Tier I (net)	132,891	204,520
Tier I capital	185,533	242,086
Tier II capital	83,319	99,379
Total capital	268,852	341,465
Capital adequacy ratio - Common Equity Tier I	5.07%	10.79%
Capital adequacy ratio - Tier I	7.08%	13.57%
Capital adequacy ratio - Tier I and Tier II	10.26%	18.02%

The Group's total equity funding consists of the following:

	Balances December 31,		Variation	
	2019	2018	Amount	%
	LBP'000	LBP'000	LBP'000	
Equity allotted to common shares	194,349,795	233,649,316	(39,299,521)	(17)
Preferred shares	52,641,854	52,641,854	-	-
Subordinated bonds	90,450,000	95,523,886	(5,073,886)	(5)
Total equity	337,441,649	381,815,056		

Following the downgrading of sovereign credit risk from "B" to "C" category by the international rating agencies, the Central Bank of Lebanon issued an intermediary circular # 527 dated September 18, 2019, amending the risk weights in the capital adequacy ratio computation. Moreover, subsequent to the financial position date, the Central Bank of Lebanon issued another intermediary circular # 543 dated February 3, 2020 related to Capital Adequacy Framework. Main changes are summarized as follows:

- Risk weight applied on Central Bank of Lebanon exposure in foreign currencies (including certificates of deposit) is set at 150% instead of 50% (excluding short term placements and certificates of deposit with original maturity less than one year which were kept at 50%).
- Capital conservation buffer is set at 2.5% instead of 4.5%. In case this buffer falls below 2.5%, banks are required to reconstitute common equity Tier I ratio in a maximum period of three years according to an approved plan by the Banking Control Commission.

- The new minimum capital ratios are as follows:

	%
Common Equity Tier I ratio	7.0
Tier I ratio	8.5
Total Capital ratio	10.5

- Banks are prohibited from distributing any dividends in case their Capital Ratios are below the following:

	%
Common Equity Tier I ratio	7.0
Tier I ratio	10.0
Total Capital ratio	12.0

- Increasing regulatory expected credit losses for all resident financial assets including bank's exposure to Central Bank of Lebanon in foreign currencies.

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, 2019			December 31, 2018		
	Lebanon and Middle East	**Cyprus**	**Inter-Segment**	**Lebanon and Middle East**	**Cyprus**	**Inter-Segment**
	LBP'000	**LBP'000**	**LBP'000**	**LBP'000**	**LBP'000**	**LBP'000**
Total Assets	2,389,360,637	222,743,681	(51,792,994)	2,561,519,442	128,969,961	(34,897,705)
Total Liabilities	2,106,752,794	206,566,437	-	2,255,757,713	113,542,402	-
Total Equity	282,607,843	16,177,244	(51,792,994)	305,761,729	15,427,559	(34,897,705)
Profit for the year	(13,804,067)	1,451,325	-	27,955,948	483,152	-
Assets						
Cash and central banks	929,822,279	2,156,920	-	726,710,680	1,308,036	-
Deposits with banks and financial institutions	113,282,653	82,241,212	(51,792,994)	143,423,345	37,541,870	(34,897,705)
Financial assets at fair value through profit or loss	10,389,767	60,138,308	-	25,159,452	22,487,553	-
Loans to banks and financial institutions	-	-	-	7,627,631	-	-
Loans and advances to customers and related parties	803,034,526	4,112,310	-	1,079,208,781	18,068,102	-
Investment securities	388,872,987	72,553,171	-	456,791,189	48,165,561	-
Customers' liability under acceptances	19,281,543	994,307	-	16,721,319	888,817	-
Investment in associate	23,974,070	-	-	23,102,054	-	-
Assets acquired in satisfaction of loans	4,221,423	-	-	2,907,009	-	-
Property and equipment	75,174,320	472,339	-	60,129,272	435,991	-
Assets under finance lease	3,182,393	-	-	-	-	-
Intangible assets	715,176	13,959	-	969,740	4,943	-
Other assets	17,409,500	61,155	-	18,768,970	69,088	-
Liabilities						
Deposits and borrowings from banks	321,040,017	11,598,104	-	246,365,768	-	-
Other borrowings	13,391,505	-	-	15,715,494	-	-
Customers' accounts at amortized cost	1,635,884,026	193,470,925	-	1,858,659,731	112,242,471	-
Acceptance liability	19,328,742	994,307	-	16,782,079	888,817	-
Finance lease liability	3,066,667	-	-	-	-	-
Other liabilities	18,323,918	455,566	-	15,817,767	377,896	-
Provisions	5,267,919	47,535	-	6,892,988	33,218	-
Subordinated bonds	90,450,000	-	-	95,523,886	-	-

	December 31, 2019			December 31, 2018		
	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	183,775,542	11,208,276	(3,265,496)	158,762,909	4,090,695	(1,314,062)
Tax on interest	(8,450,824)	-	-	(6,493,638)	-	-
Interest expense	(116,808,467)	(9,384,784)	3,265,496	(100,530,992)	(2,743,798)	1,314,062
Net interest income	58,516,251	1,823,492	-	51,738,279	1,346,897	-
Fee and commission income	9,001,742	228,033	-	10,299,095	258,650	-
Fee and commission expense	(289,425)	(35,747)	-	(384,961)	(1,566)	-
Net fee and commission income	8,712,317	192,286	-	9,914,134	257,084	-
Net interest and other gain on trading assets at fair value through profit and loss	1,332,679	987,303	-	1,000,030	(93,480)	-
Gain on exchange	4,739,226	(9)	-	5,163,663	152	-
Other operating income, (net)	2,707,665	13,760	-	5,976,392	7,115	-
Net financial revenues	76,008,138	3,016,832	-	73,792,498	1,517,768	-
Provision for credit losses (net)	(47,774,623)	49,756	-	(683,559)	75,912	-
Net financial revenues after net impairment charge	28,233,515	3,066,588	-	73,108,939	1,593,680	-
Staff costs	(21,468,299)	(397,632)	-	(23,226,362)	(393,198)	-
Administrative expenses	(14,317,216)	(867,022)	-	(14,631,218)	(608,613)	-
Depreciation and amortization	(2,564,421)	(64,068)	-	(2,175,384)	(59,457)	-
Depreciation of right of use	(1,279,629)	-	-	-	-	-
Other income	(181,639)	-	-	105,517	87,427	-
	(39,811,204)	(1,328,722)	-	(39,927,447)	(973,841)	-
Profit before income tax	(11,577,689)	1,737,866	-	33,181,492	619,839	-
Income tax expense	(2,226,378)	(286,541)	-	(5,225,544)	(136,687)	-
Profit for the year	(13,804,067)	1,451,325	-	27,955,948	483,152	-

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):

Bracket	December 31, 2019 Total Amount LBP'000	% to Total Deposits %
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

Bracket	December 31, 2018 Total Amount LBP'000	% to Total Deposits %
Less than LBP5billion	43,712,619	29.89
From LBP5billion to LBP15billion	41,997,837	28.72
Over LBP15billion	60,539,330	41.39
	146,249,786	100.00

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

Bracket	December 31, 2019 No. of Counter Parties	Total Amount LBP'000	% to Total %
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

Bracket	December 31, 2018 No. of Counter Parties	Total Amount LBP'000	% to Total %
Less than LBP500million	807	68,464,513	6.16
From LBP500million to LBP5billion	282	486,070,178	43.79
Over LBP5billion	49	555,547,891	50.05
	1,138	1,110,082,582	100.00

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

	December 31, 2019						
				Fair Value of Collateral Held			
	Carrying Amount	Provision for Credit Losses	Net Exposure	Pledged Funds	Property	Equities	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	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

	December 31, 2018						
				Fair Value of Collateral Held			
	Carrying Amount	Provision for Credit Losses	Net Exposure	Pledged Funds	Property	Equities	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Performing Accounts							
Regular Accounts	1,059,801,391	(2,965,829)	1,056,835,562	96,937,169	230,613,292	16,163,902	343,714,363
Past due but not impaired:							
Between 60-90 days	1,232,728	-	1,232,728	-	-	-	-
Between 90-180 days	1,487,088	-	1,487,088	-	-	-	-
Beyond 180 days	2,774,508	-	2,774,508	-	-	-	-
Impaired:							
Substandard debts	33,350,809	(2,397,832)	30,952,977	-	40,235,175	-	40,235,175
Doubtful and bad debts	13,125,654	(9,131,634)	3,994,020	-	8,050,050	-	8,050,050
	1,111,772,178	(14,495,295)	1,097,276,883	96,937,169	278,898,517	16,163,902	391,999,588

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

	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

	December 31, 2018									
	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	729,910,565	-	-	-	-	-	-	-	-	729,910,565
Deposits with banks and financial institutions	-	146,442,821	-	-	-	-	-	-	-	146,442,821
Financial assets at fair value through profit or loss	37,885,712	8,420,951	-	310,801	-	1,020,450	9,091	-	-	47,647,005
Investment securities	485,105,385	2,823,746	-	-	14,280,797	5,197,171	-	-	-	507,407,099
Loans to banks and financial institutions	-	7,627,631	-	-	-	-	-	-	-	7,627,631
Loans and advances to customers and related parties	-	3,525,297	240,970,820	165,120,047	473,188,747	-	54,885,762	174,081,505	-	1,111,772,178
Customers' liability under acceptances	-	-	-	5,782,073	11,888,823	-	-	-	-	17,670,896
Other financial assets	-	-	-	-	-	-	-	-	11,344,084	11,344,084
	1,252,901,662	168,840,446	240,970,820	171,212,921	499,358,367	6,217,621	54,894,853	174,081,505	11,344,084	2,579,822,279
Off-Balance sheet Risks:	-	-	256,867	7,569,656	14,615,042	-	-	-	-	22,441,565
Documentary and commercial letters of credit	-	15,533,496	25,858,256	17,680,072	30,991,630	-	28,345,032	1,038,858	-	119,447,344
Guarantees and standby letters of credit	-	258,208,774	9,296,752	7,314,088	2,675,857	-	-	3,487,502	-	280,982,973

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

	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

	December 31, 2018					
	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	728,602,529	-	1,308,036	-	-	729,910,565
Deposits with banks and financial institutions	67,283,348	99,286	51,657,398	24,785,497	2,617,292	146,442,821
Financial assets at fair value through profit or loss	9,882,723	-	202,925	37,561,357	-	47,647,005
Loans to banks and financial institutions	7,627,631	-	-	-	-	7,627,631
Loans and advances to customers and related parties	1,057,052,072	33,179,703	14,892,111	47,603	6,600,689	1,111,772,178
Investment securities	506,460,869	921,006	25,224	-	-	507,407,099
Customers' liability under acceptances	16,782,079	796,887	91,930	-	-	17,670,896
Other financial assets	11,241,431	-	69,088	-	33,565	11,344,084
Total assets	2,404,932,682	34,996,882	68,246,712	62,394,457	9,251,546	2,579,822,279
LIABILITIES						
Deposits and borrowings from banks and financial institutions	84,116,335	139,989,368	17,649,926	4,525,504	84,635	246,365,768
Customers' accounts at amortized cost including related parties	1,281,997,056	423,857,971	84,620,571	72,100,021	108,326,583	1,970,902,202
Acceptance liability	-	50,083	10,457,104	501,738	6,661,971	17,670,896
Other term borrowings	15,715,494	-	-	-	-	15,715,494
Other financial liabilities	16,194,464	-	377,895	-	-	16,572,359
Subordinated bonds	95,523,886	-	-	-	-	95,523,886
Total liabilities	1,493,547,235	563,897,422	113,105,496	77,127,263	115,073,189	2,362,750,605
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK						
Documentary and commercial letters of credit	14,069,918	8,197,104	174,543	-	-	22,441,565
Guarantees and standby letters of credit	85,034,891	811,868	29,643,581	-	3,957,004	119,447,344
Forward exchange contracts	55,536,310	72,438,660	152,059,537	-	948,466	280,982,973

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, 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

	December 31, 2018							
	Accounts with no Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Assets								
Cash and deposits with central banks	67,477,073	41,673,480	62,037,840	112,591,530	77,513,595	358,811,198	7,914,000	728,018,716
Deposits with bank sand financial institutions	62,304,384	69,854,678	13,908,448	-	-	-	-	146,067,510
Investment securities	10,267,317	-	9,925,278	67,978,520	150,050,843	188,142,468	78,592,324	504,956,750
Financial assets at fair value through profit or loss	9,949,055	-	37,449,622	-	-	240,321	8,007	47,647,005
Loans to banks and financial institutions	-	7,627,631	-	-	-	-	-	7,627,631
Loans and advances to customers and related parties	705,760,126	339,048,519	48,072,699	3,036,046	1,346,981	12,512	-	1,097,276,883
Customers' liability under acceptances	-	11,746,338	5,863,798	-	-	-	-	17,610,136
Other financial assets	11,344,084	-	-	-	-	-	-	11,344,084
Total Assets	867,102,039	469,950,646	177,257,685	183,606,096	228,911,419	547,206,499	86,514,331	2,560,548,715
Liabilities								
Other term borrowings	338,831	702,387	1,296,927	3,475,524	3,113,296	4,036,247	2,752,282	15,715,494
Deposits and borrowings from banks and financial institutions	62,990,735	87,855,068	55,456,653	39,931,029	81,405	50,878	-	246,365,768
Customers' accounts at amortized cost including related parties	359,159,004	1,018,779,169	446,616,406	74,785,089	51,965,034	19,597,500	-	1,970,902,202
Acceptance liability	-	11,807,098	5,863,798	-	-	-	-	17,670,896
Other financial liabilities	16,194,464	-	-	-	-	-	-	16,194,464
Subordinated bonds	5,073,886	-	-	37,687,500	-	52,762,500	-	95,523,886
Total Liabilities	443,756,920	1,119,143,722	509,233,784	155,879,142	55,159,735	76,447,125	2,752,282	2,362,372,710
Maturity Gap	423,345,119	(649,193,076)	(331,976,099)	27,726,954	173,751,684	470,759,374	83,762,049	198,176,005

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, 2019					
	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	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

	December 31, 2018					
	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	69,088,313	515,722,978	142,915,107	276,798	15,520	728,018,716
Deposits with banks and financial institutions	30,673,225	42,043,345	58,245,697	10,611,951	4,493,292	146,067,510
Financial assets at fair value through profit or loss	246,368	47,083,883	125,851	190,903	-	47,647,005
Loans to banks and financial institutions	-	7,627,631	-	-	-	7,627,631
Loans and advances to customers and related parties	41,807,455	889,615,802	137,264,837	3,480,026	25,108,763	1,097,276,883
Investment securities	172,382,332	331,628,188	946,230	-	-	504,956,750
Customers' liability under acceptances	-	14,848,844	2,761,292	-	-	17,610,136
Investments in associate	5,029,970	18,072,084	-	-	-	23,102,054
Assets Acquired in satisfaction of loans	-	2,907,009	-	-	-	2,907,009
Property and equipment	60,039,700	525,563	-	-	-	60,565,263
Intangible assets	969,740	4,943	-	-	-	974,683
Other assets	9,395,483	22,605,867	28,361,897	(63,288,085)	17,674,218	14,749,380
Total Assets	389,632,586	1,892,686,137	370,620,911	(48,728,407)	47,291,793	2,651,503,020
Liabilities						
Deposits and borrowings from banks and financial institutions	27,325,767	121,917,370	89,613,531	4,038,781	3,470,319	246,365,768
Customers' and related parties' accounts at amortized cost	160,292,713	1,566,975,338	197,829,873	37,144,108	8,660,170	1,970,902,202
Acceptance liability	-	14,909,603	2,761,293	-	-	17,670,896
Other term borrowings	15,510,731	204,763	-	-	-	15,715,494
Other liabilities	(4,381,916)	(20,605,793)	53,201,130	(26,625,505)	14,607,747	16,195,663
Provisions	2,631,859	4,263,302	31,045	-	-	6,926,206
Subordinated bonds	-	95,523,886	-	-	-	95,523,886
Total Liabilities	201,379,154	1,783,188,469	343,436,872	14,557,384	26,738,236	2,369,300,115
Currencies to be delivered	-	92,342,818	108,475,946	74,370,974	5,793,236	280,982,974
Currencies to be received	-	(107,271,750)	(135,073,668)	(11,082,111)	(23,466,767)	(276,894,296)
	-	(14,928,932)	(26,597,722)	63,288,863	(17,673,531)	4,088,678
Net on-balance sheet financial position	188,253,432	94,568,736	586,317	3,072	2,880,026	286,291,583

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.

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, 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

	Non-Interest Bearing	Floating Interest Rate	Over 3 Months Less than 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Years	Total	Grand Total
			December 31, 2018 — Fixed Interest Rate						
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Assets									
Cash and deposits with central banks	42,464,313	302,095,955	-	-	16,733,250	358,811,198	7,914,000	383,458,448	728,018,716
Deposits with banks and financial institutions	14,673,729	117,485,333	13,908,448	-	-	-	-	13,908,448	146,067,510
Financial assets at fair value through profit or loss	9,949,055	-	37,449,622	-	-	240,321	8,007	37,697,950	47,647,005
Loans to banks and financial institutions	7,627,631	-	-	-	-	-	-	-	7,627,631
Loans and advances to customers	1,687,801	1,043,120,844	48,063,469	3,045,276	1,346,981	12,512	-	52,468,238	1,097,276,883
Investment securities	8,348,495	-	11,232,368	107,250,557	124,673,386	222,821,051	30,630,893	496,608,255	504,956,750
Customers' liability under acceptances	17,610,136	-	-	-	-	-	-	-	17,610,136
Other financial assets	11,344,084	-	-	-	-	-	-	-	11,344,084
Total Assets	113,705,244	1,462,702,132	110,653,907	110,295,833	142,753,617	581,885,082	38,552,900	984,141,339	2,560,548,715
Liabilities									
Deposits and borrowings from banks and financial institutions	3,434,837	147,410,966	55,456,653	39,931,029	81,405	50,878	-	95,519,965	246,365,768
Customers' accounts at amortized cost including related parties	9,515,011	1,368,423,162	446,616,406	74,785,089	51,965,034	19,597,500	-	592,964,029	1,970,902,202
Acceptance liability	17,670,896	-	-	-	-	-	-	-	17,670,896
Other term borrowings	-	1,041,218	1,296,927	3,475,524	3,113,296	4,036,247	2,752,282	14,674,276	15,715,494
Other financial liabilities	16,873,859	-	-	-	-	-	-	-	16,873,859
Subordinated bonds	5,073,886	-	-	37,687,500	-	52,762,500	-	90,450,000	95,523,886
Total Liabilities	52,568,489	1,516,875,346	503,369,986	155,879,142	55,159,735	76,447,125	2,752,282	793,608,270	2,363,052,105
Interest Rate Gap Position	61,136,755	(54,173,214)	(392,716,079)	(45,583,309)	87,593,882	505,437,957	35,800,618	190,533,069	197,496,610

	December 31, 2018								
			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	42,464,313	302,095,955	-	-	16,733,250	358,811,198	7,914,000	383,458,448	728,018,716
Deposits with banks and financial institutions	14,673,729	117,485,333	13,908,448	-	-	-	-	13,908,448	146,067,510
Financial assets at fair value through profit or loss	9,949,055	-	37,449,622	-	-	240,321	8,007	37,697,950	47,647,005
Loans to banks and financial institutions	7,627,631	-	-	-	-	-	-	-	7,627,631
Loans and advances to customers	1,687,801	1,043,120,844	48,063,469	3,045,276	1,346,981	12,512	-	52,468,238	1,097,276,883
Investment securities	8,348,495	-	11,232,368	107,250,557	124,673,386	222,821,051	30,630,893	496,608,255	504,956,750
Customers' liability under acceptances	17,610,136	-	-	-	-	-	-	-	17,610,136
Other financial assets	11,344,084	-	-	-	-	-	-	-	11,344,084
Total Assets	113,705,244	1,462,702,132	110,653,907	110,295,833	142,753,617	581,885,082	38,552,900	984,141,339	2,560,548,715
Liabilities									
Deposits and borrowings from banks and financial institutions	3,434,837	147,410,966	55,456,653	39,931,029	81,405	50,878	-	95,519,965	246,365,768
Customers' accounts at amortized cost including related parties	9,515,011	1,368,423,162	446,616,406	74,785,089	51,965,034	19,597,500	-	592,964,029	1,970,902,202
Acceptance liability	17,670,896	-	-	-	-	-	-	-	17,670,896
Other term borrowings	-	1,041,218	1,296,927	3,475,524	3,113,296	4,036,247	2,752,282	14,674,276	15,715,494
Other financial liabilities	16,873,859	-	-	-	-	-	-	-	16,873,859
Subordinated bonds	5,073,886	-	-	37,687,500	-	52,762,500	-	90,450,000	95,523,886
Total Liabilities	52,568,489	1,516,875,346	503,369,986	155,879,142	55,159,735	76,447,125	2,752,282	793,608,270	2,363,052,105
Interest Rate Gap Position	61,136,755	(54,173,214)	(392,716,079)	(45,583,309)	87,593,882	505,437,957	35,800,618	190,533,069	197,496,610

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.

As a result of the unprecedented levels of uncertainty surrounding the economic crisis that Lebanon, and particularly the banking sector in Lebanon, is experiencing, as described in Note 1, management is unable to produce reasonable estimation of the fair value of financial assets and liabilities concentrated in Lebanon as the measurement of their fair value is either (i) dependent on prices quoted in a market that is severely inactive and illiquid; or (ii) determined using cash flow valuation models using observable market inputs, comprising of interest rates and yield curves, implied volatilities, and credit spreads that are not reflective of economic reality and market conditions.

	December 31, 2018				
	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	9,761,293	9,761,293	-	-	9,761,293
Lebanese treasury bills	240,321	-	240,321	-	240,321
Foreign Government Bonds	37,199,071	-	37,199,071	-	37,199,071
Lebanese Government Bonds	258,559	-	258,559	-	258,559
	47,459,244	9,761,293	37,697,951	-	47,459,244
Financial assets at fair value through other comprehensive income:					
Unquoted equity securities	946,230	946,230	-	-	946,230
Lebanese Government bonds	23,102,111	-	23,102,111	-	23,102,111
Certificates of deposit issued by Central Bank of Lebanon	40,251,907	-	40,251,907	-	40,251,907
Corporate bonds	3,696,543	3,696,543	-	-	3,696,543
	67,996,791	4,642,773	63,354,018	-	67,996,791
Financial assets at amortized cost:					
Lebanese treasury bills	94,952,104	-	92,647,078	-	92,647,078
Lebanese Government bonds	91,019,072	-	83,490,250	-	83,490,250
Certificates of deposit issued by Central Bank of Lebanon	224,871,662	-	190,605,657	-	190,605,657
Corporate bonds	17,411,153	17,481,163	-	-	17,481,163
	428,253,991	17,481,163	366,742,985	-	384,224,148
Financial liabilities measured at amortized cost:					
Subordinated bonds	95,523,886	-	-	87,435,592	87,435,592

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:

Financial Assets	Last Date of Valuation	Valuation Technique and key Inputs
Lebanese treasury bills	December 31, 2018	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, 2018	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, 2018	DCF at a discount rate based on observable yield curve at measurement date
Lebanese Government bonds	December 31, 2018	DCF at a discount rate determined based on the yield on USA treasury bills and the Credit Swap applicable to Lebanon subject to Illiquidity factor
Financial Liabilities		
At amortized cost:		
Subordinated bonds	December 31, 2018	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. SUBSEQUENT EVENT

Further to subsequent events described in Note 1, the existence of Novel Coronavirus (Covid-19) was confirmed in China and has since spread rapidly across the globe causing significant disruptions to global economic activities and business in general. The Group believes that this pandemic is a non-adjusting post-balance sheet subsequent event. Given the situation is volatile and rapidly evolving, it is not practicable at this stage to provide a reasonable estimate of the potential impact of this pandemic on the Group. The Group's management is closely monitoring the situation and will update its macroeconomic forecasts as well as inputs and assumptions to be used in any estimate, which will be incorporated into the Group's assessment of financial assets in 2020.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2019 were approved by the Board of Directors in its meeting held on August 26, 2020.