BANQUE BEMO S.A.L.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2024

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF BANQUE BEMO S.A.L.

Adverse Opinion

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

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

Basis for Adverse Opinion

1- As disclosed in Note 2.1 to the consolidated financial statements, the Group did not apply the requirements of IAS 29 – Financial Reporting in Hyperinflationary Economies ("IAS 29") in the consolidated financial statements for the years ended 31 December 2024 and 2023, nor did the Group consider its effects on forecasts and discount rates used in accounting estimates (noting that the Lebanese Pound was defined as hyperinflationary from 2020 to 2024 respectively). Had the Group applied the requirements of IAS 29, many elements and disclosures in the accompanying consolidated financial statements, including the comparative financial information for the year ended 31 December 2023, would have been materially different. The effects on the consolidated financial statements arising from this departure have not been determined. Our opinion for the year ended 31 December 2023 was also modified for the same reasons.

2- As disclosed in Note 1 to the consolidated financial statements, the Group had used the official published exchange rates for the translation of its monetary assets and liabilities denominated in foreign currencies and all transactions in foreign currencies during 2021, 2022 and 2023, instead of using the rates at which the future cash flows could have been settled/collected as required by IAS 21 – The Effects of Changes in Foreign Exchange Rates, when several exchange rates are available. This caused us to qualify our opinion on the consolidated financial statements relating to those years, as other exchange rates through legal exchange mechanisms were available, depending on the source and nature of the transaction or balance, and which should have been used by the Group to comply with the requirements of IAS 21. As disclosed in Note 1 to the consolidated financial statements, from January 2024, the official published exchange rate was set at LL 89,500 to the US Dollar which converged with the rates of the legal exchange mechanism for the exchange of foreign currencies not subject to de-facto capital controls throughout the period and up to date. With respect to foreign currencies subject to de-facto capital controls, we were unable to conclude whether this exchange rate is that at which the future cash flows could have been settled/collected if those cash flows had occurred at the measurement date. In addition, the Group recorded the impact of the change in exchange rates used, under "Net gain on foreign exchange" in the income statement for the year ended 31 December 2024, amounting to LBP 1,320 billion (note 31). Had we been able to conclude on the appropriate exchange rate to be used on foreign currencies subject to de-facto capital controls, matters might have come to our attention indicating that adjustments might be necessary to the financial statements. Also, had the Group been able to apply the requirements of IAS 21 and use the rate at which the future cash flows could have been settled/collected during 2021, 2022 and 2023, many accounts and disclosures in the consolidated financial statements, including comparative financial information, would have been materially different. The effects on the consolidated financial statements from the departure of IAS 21 have not been determined.

INDEPENDENT AUDITORS' REPORT (continued)
TO THE SHAREHOLDERS OF BANQUE BEMO S.A.L.

Basis for Adverse Opinion (continued)

3- Cash and deposits with central banks which are carried in the consolidated statement of financial position, net of expected credit losses, at LBP.133,114 billion (2023: LBP.22,213 billion), include balances held with Central Bank of Lebanon of LBP.132,309 (2023: LBP.21,994).
Deposits with banks and financial institutions which are carried in the consolidated statement of financial position, net of expected credit losses, at LBP.4,014 billion (2023: LBP.706 billion) include deposits with local banks amounting to LBP.161 billion (2023: LBP.124 billion).
Financial assets at fair value through profit or loss, which are carried in the consolidated statement of financial position at LBP.440 billion (2023: LBP.82 billion) include Lebanese treasury bills, Lebanese government debt securities and shares and corporate bonds concentrated in Lebanon amounting to LBP.214 million, LBP.1,221 million, LBP.439 billion respectively (2023: LBP.235 million, LBP.96 million, LBP.80 billion).
Investment securities, which are carried in the consolidated statement of financial position, net of expected credit losses, at LBP.12,630 billion (2023: LBP.2,987 billion) include investment securities at amortized cost amounting to LBP.12,069 billion (2023: LBP.2,774 billion) and financial assets at fair value through other comprehensive income amounting to LBP.561 billion (2023: LBP.213 billion). Investment securities at amortized cost amounting to LBP.12,069 billion (2023: LBP.2,774 billion), include Lebanese government debt securities and certificates of deposit issued by the Central Bank of Lebanon amounting to LBP.1,806 billion and LBP.10,162 billion respectively (2023: LBP.470 billion and LBP.2,277 billion respectively). Financial assets at fair value through other comprehensive income amounting to LBP.561 billion (2023: LBP.213 billion) include equity securities amounting to LBP.472 billion domiciled in Lebanon (2023: LBP.80 billion).

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

Furthermore, the Group is engaging in several transactions involving modification of contractual cash flows, renegotiations, exchanges and extinguishment of financial assets and financial liabilities. The Group is not applying the requirements of IFRS 9 and assessing whether these transactions should be accounted for as modifications resulting in derecognition or no derecognition, nor is the Group calculating and accounting for the impact of such modifications, which constitutes a departure from the requirements of IFRS 9. The effects of this departure on the carrying amount of these financial instruments and related income statement accounts have not been determined.

Also, as disclosed in Note 42, management did not produce the information about the fair value of these assets and other financial instruments concentrated in Lebanon and these consolidated financial statements consequently do not include the fair value disclosures required by IFRS 13 – Fair Value Measurement.

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

Our opinion for the year ended 31 December 2023 was also modified for the same reasons as explained above.

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INDEPENDENT AUDITORS' REPORT (continued)
TO THE SHAREHOLDERS OF BANQUE BEMO S.A.L.

Basis for Adverse Opinion (continued)

4- Loans and advances to customers and related parties which are carried in the consolidated statement of financial position at LBP.3,026 billion (2023: LBP.871 billion) represent loans and advances where the credit risk is predominantly concentrated in Lebanon and is affected as a result of the monetary and economic crisis that the country is facing since the last quarter of 2019. Loans and advances have not been stated net of an allowance for expected credit losses which takes into account the full impact of the economic crisis and all circumstances and available information at the reporting date, which constitutes a departure from IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB). Our opinion for the year ended 31 December 2023 was also modified in respect of this matter.

5- As disclosed in Note 1 to the consolidated financial statements, the Group did not apply the requirements of IAS 16 – Property, plant and equipment ("IAS 16") in the consolidated financial statements for the years ended 31 December 2024 and 2023, nor did the Group consider its effects on forecasts and discount rates used in accounting estimates. Had the Group applied the requirements of IAS 16, many elements and disclosures in the accompanying consolidated financial statements, including the comparative financial information for the year ended 31 December 2023, would have been materially different. The effects on the consolidated financial statements arising from this departure have not been determined when applying by management law 330 which was enacted on 4 December 2024 and its application decisions which were issued by the Ministry of Finance in Lebanon on 12 March 2025 and decision No.715/1 dated 01 August 2025 regarding banks in Lebanon.

6- The events and conditions and practices that would not qualify as normal course of business in a non-crisis environment described in Note 1 and the matters described in the paragraphs 1, 2 and 4 above affect the financial position, liquidity, solvency and profitability of the Group, and expose the Group to increased litigation and regulatory risks. Significant uncertainty exists in relation to the outcome of the litigations, claims and investigations raised against the Group and the negative impact that they may have on the Group's offshore liquidity, foreign assets and foreign currency exposure as disclosed in Notes 1, 46A and 49. These events and conditions may cast significant doubt on the Group's ability to continue as a going concern. We were unable to obtain sufficient appropriate audit evidence about the Group's ability to continue as a going concern. Our opinion for the year ended 31 December 2023 was modified for same reasons.

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

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT (continued)
TO THE SHAREHOLDERS OF BANQUE BEMO S.A.L.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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INDEPENDENT AUDITORS' REPORT (continued)
TO THE SHAREHOLDERS OF BANQUE BEMO S.A.L.

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

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

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

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

BDO, Semaan, Gholam & Co.
25 September 2025
Beirut, Lebanon

DFK Fiduciaire du Moyen Orient

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2024

	Notes	2024 LBP000	Restated * 2023 LBP000
ASSETS			
Cash and deposits with central banks	4	133,113,725,239	22,213,150,847
Deposits with banks and financial institutions	5	4,013,853,927	706,144,462
Financial assets at fair value through profit or loss	6	440,483,967	81,801,435
Loans and advances to customers and related parties	8	3,025,632,518	870,645,691
Investments securities	9	12,630,072,187	2,987,490,266
Assets acquired in satisfaction of loans	11	30,349,450	2,585,121
Property, plant and equipment	12	2,970,942,836	1,713,371,330
Right-of-use assets	7	885,362	1,369,021
Intangible assets	13	15,059,431	702,704
Other assets	14	370,061,698	104,163,441
TOTAL ASSETS		156,611,066,615	28,681,424,318
FINANCIAL INSTRUMENTS WITH OFF-FINANCIAL POSITION RISK:	37		
Guarantees and standby letters of credit		655,608,837	155,228,975
Forward exchange contracts		2,068,326,809	436,309,176
FIDUCIARY DEPOSITS AND ASSETS UNDER MANAGEMENT	38	4,156,735,040	63,881,298
LIABILITIES			
Deposits and borrowings from banks and financial institutions	15	30,910,813,156	5,114,893,573
Customers and related parties accounts at amortized cost	16	115,080,509,141	20,355,899,879
Other term borrowings	17	237,951,641	120,105,912
Lease liability	7	11,607,391	4,239,030
Other liabilities	18	2,303,786,657	222,441,541
Provisions	19	1,378,693,089	260,341,277
		149,923,361,075	26,077,921,212
Subordinated bonds	20	3,132,500,000	543,526,178
TOTAL LIABILITIES		153,055,861,075	26,621,447,390
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital	21	77,810,000	77,810,000
Treasury shares	21	(2,857,660)	(2,857,660)
Preferred shares	22	52,641,854	52,641,854
Shareholders' cash contribution to capital	23	70,267,271	70,267,271
Reserves	24	88,354,387	87,837,568
Accumulated Losses		(43,716,418)	(76,262,502)
Revaluation reserve	24	2,985,587,486	1,644,850,143
Change in fair value of financial assets at fair value through other comprehensive income	25	531,893,948	186,847,161
Foreign currency translation reserve		(4,692,020)	58,732
(Loss) profit for the year		(227,391,382)	4,448,274
		3,527,897,466	2,045,640,841
NON-CONTROLLING INTERESTS		27,308,074	14,336,087
TOTAL EQUITY		3,555,205,540	2,059,976,928
TOTAL LIABILITIES AND EQUITY		156,611,066,615	28,681,424,318

(*) Restated for the effects of the matters disclosed in note 52.

The attached notes 1 to 52 form part of these financial statements.

CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	2024 LBP000	2023 LBP000
Interest income	26	746,514,801	325,964,386
Tax on interest	26	(36,881,702)	(9,835,046)
Interest income (net of tax)		709,633,099	316,129,340
Interest expense	27	(755,968,249)	(220,946,204)
Net interest income		(46,335,150)	95,183,136
Fee and commission income	28	767,540,327	264,441,163
Fee and commission expense	29	(26,237,515)	(10,587,871)
Net fee and commission income		741,302,812	253,853,292
Net interest and other gains on financial assets at fair value through profit or loss	30	21,676,938	21,633,366
Profit on exchange (net)	31	1,200,255,908	384,461,785
Other operating income (net)	32	172,734,246	41,790,672
Total operating income		2,089,634,754	796,922,251
Provision for expected credit losses, (net)	33	(1,560,333,893)	(433,403,049)
Net operating income		529,300,861	363,519,202
Staff costs	34	(403,545,136)	(201,997,851)
Administrative expenses	35	(444,517,250)	(90,629,813)
Depreciation and amortisation	12-13	(61,503,094)	(2,445,569)
Depreciation of right-of-use assets	7	(8,416,379)	(1,917,891)
Other income (net)	36	284,051,129	1,202,871
		(633,930,730)	(295,788,253)
(Loss) profit before income tax		(104,629,869)	67,730,949
Income tax expense		(153,489,759)	(61,646,919)
(Loss) profit for the year		(258,119,628)	6,084,030
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of investment securities	25	345,046,787	187,133,478
Revaluation, (net)	24	1,340,737,343	1,627,936,079
Net other comprehensive income – Profit		1,685,784,130	1,815,069,557
Total comprehensive income – Profit		1,427,664,502	1,821,153,587
Attributable to:			
Equity holders of the parent		1,257,705,998	1,331,517,266
Non-controlling interests		169,958,504	489,636,321
		1,427,664,502	1,821,153,587

The attached notes 1 to 52 form part of these financial statements.

BANQUE BEMO S.A.L.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Share Capital LBP000	Treasury shares LBP000	Preferred shares LBP000	Shareholders' cash contribution to capital LBP000	Legal and other reserve LBP000	Accumulated losses LBP000	Revaluation reserve LBP000	Change in fair value of investment securities LBP000	Foreign currency translation reserve LBP000	(Loss) profit for the year LBP000	Total attributable to the equity holders of the Bank LBP000	Non-controlling interests LBP000	Total LBP000
Balance at 1 January 2024	77,810,000	(2,857,660)	52,641,854	70,267,271	87,837,568	(76,262,502)	1,644,850,143	186,847,161	58,732	4,448,274	2,045,640,841	14,336,087	2,059,976,928
Loss for the year	-	-	-	-	-	-	-	-	-	(227,391,382)	(227,391,382)	(30,728,246)	(258,119,628)
Other comprehensive income	-	-	-	-	-	-	-	345,046,787	-	-	345,046,787	-	345,046,787
Total comprehensive income	-	-	-	-	-	-	-	345,046,787	-	(227,391,382)	117,655,405	(30,728,246)	86,927,159
Treasury shares (note 21)	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	4,448,274	-	-	-	(4,448,274)	-	-	-
Appropriation of 2023 results	-	-	-	-	516,819	-	-	-	-	-	516,819	-	516,819
Other movements	-	-	-	-	-	28,097,810	-	-	(4,750,752)	-	23,347,058	43,700,233	67,047,291
Application of Law 330 (Net) (note 24)	-	-	-	-	-	-	1,340,737,343	-	-	-	1,340,737,343	-	1,340,737,343
Balance at 31 December 2024	77,810,000	(2,857,660)	52,641,854	70,267,271	88,354,387	(43,716,418)	2,985,587,486	531,893,948	(4,692,020)	(227,391,382)	3,527,897,466	27,308,074	3,555,205,540
Balance at 1 January 2023	77,810,000	(3,570,832)	52,641,854	70,267,271	87,701,209	5,284,501	16,914,064	(286,317)	-	(86,844,545)	219,917,205	4,390,492	224,307,697
Profit for the year	-	-	-	-	-	-	-	-	-	4,448,274	4,448,274	1,635,756	6,084,030
Other comprehensive income	-	-	-	-	-	-	-	187,133,478	-	-	187,133,478	-	187,133,478
Total comprehensive income	-	-	-	-	-	-	-	187,133,478	-	4,448,274	191,581,752	1,635,756	193,217,508
Disposal in treasury shares (note 21)	-	713,172	-	-	-	-	-	-	-	-	713,172	-	713,172
Transfer to retained earnings	-	-	-	-	-	(86,844,545)	-	-	-	86,844,545	-	-	-
Appropriation of 2021 results	-	-	-	-	136,359	(880,677)	-	-	-	-	(744,318)	-	(744,318)
Other movements	-	-	-	-	-	6,178,219	-	-	58,732	-	6,236,951	8,309,839	14,546,790
Application of Law 330 (Restatement) (note 24)	-	-	-	-	-	-	1,627,936,079	-	-	-	1,627,936,079	-	1,627,936,079
Balance at 31 December 2023	77,810,000	(2,857,660)	52,641,854	70,267,271	87,837,568	(76,262,502)	1,644,850,143	186,847,161	58,732	4,448,274	2,045,640,841	14,336,087	2,059,976,928

Reserves: Allocation to reserves from the result of year 2021, is booked in year 2023.

The attached notes 1 to 52 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2024

	Notes	2024 LBP000	2023 LBP000
Cash flows from operating activities			
(Loss) profit before tax		(104,629,869)	67,730,949
Adjustments for:			
Depreciation and amortisation		61,503,094	2,445,569
Depreciation right of use, (net)		8,503,042	441,422
Interest expense – Finance lease liability		1,311,550	395,664
Provisions for contingencies		372,500	-
Write back of provision for contingencies		-	(900,000)
Write back of foreign currency position		(231,654)	-
Provision for expected credit losses, (net)		1,560,333,893	433,403,049
Non-controlling interests		(30,728,246)	1,635,755
Provision for employees' end-of- service indemnities		37,868,045	32,968,231
Assets disposed of in satisfaction of loans		373,662,500	-
Unrealized gain on financial assets at fair value through profit or loss		(20,333,587)	(21,660,723)
Gain from sale of property, Plant and equipment		(1,012,800)	(22,495)
Increased value by expert compared to cost of assets acquired in satisfaction of loans		(252,135,820)	-
Loss from sale of assets acquired in satisfaction of loans		119,479,736	-
Increase in deposits with central banks, banks and financial institutions		(24,119,931,502)	(7,691,382,526)
Increase in trading assets at fair value through profit or loss		(338,348,945)	(54,063,215)
Decrease in loans and advances to customers and related parties		1,084,009,190	1,171,633,992
Increase in other assets		(269,754,803)	(80,712,116)
Increase/ decrease in non-interest earning compulsory reserve		(21,498,068)	18,983,920
Increase in due to banks and financial institutions		25,795,919,583	4,652,625,328
(Decrease)/ increase in other borrowings		(158,192,555)	47,177,936
(Decrease)/ increase in customers' and related parties' deposits at amortised cost		(5,312,573,728)	17,768,798,066
Increase in other liabilities		2,094,979,246	176,435,912
Foreign currency translation movement, (Net)		132,556,457,172	1,736,114,484
Settlement of employees' end-of-services indemnity		(4,085,758)	(1,055,365)
Taxes paid		(13,634,130)	(357,914)
Net cash generated from operating activities		133,047,308,086	18,260,635,923
Net cash from investing activities			
Investment securities		(27,360,863,286)	(5,103,341,851)
Acquisition of property, plant and equipment		(142,599,798)	(5,401,291)
Proceeds from sale of property, plant and equipment		17,900,000	-
Proceeds from sale of assets acquired in satisfaction of loans		254,182,764	-
Acquisition of intangible assets		(16,257,577)	(454,925)
Net cash used in investing activities		(27,247,637,897)	(5,109,198,067)
Cash flows from financing activities			
Sale of treasury shares (net)		-	713,172
Settlement of lease liability		(12,631,732)	(2,035,953)
Subordinated bonds		18,526,178	-
Net cash generated from (used in) financing activities		5,894,446	(1,322,781)
Net increase in cash and cash equivalents		105,805,564,635	13,150,115,075
Cash and cash equivalents - Beginning of year		15,259,105,159	2,108,990,084
Cash and cash equivalents - End of year	40	121,064,669,794	15,259,105,159

The attached notes 1 to 52 form part of these financial statements.

1 CORPORATE INFORMATION

Banque Bemo SAL (the "Bank") is a Lebanese joint-stock company listed on the Beirut Stock Exchange and registered in the Commercial Registry 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.

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

The Bank, together with its subsidiaries (collectively the "Group"), provides a wide range of commercial, corporate and private banking activities, through its headquarters and branches in Lebanon and its presence in Europe and Middle East.

The Bank's Board of Directors resolved in their meeting held on 28 February 2022 the cessation of activities of Limassol – Cyprus branch and to close it permanently pursuant to the decision of the Central Council of the Central Bank of Lebanon number 172 m.m/3 dated 11 March 2022. Cyprus branch became a separate entity as at 31/12/2022 and is fully owned by Banque Bemo SAL.

The consolidated financial statements were authorised for issue on 25 September 2025 by the Board of Directors.

The consolidated subsidiaries consist of the following as at 31 December 2024 and 2023:

	Ownership		*Country of incorporation*	*Business activity*
	2024	*2023*		
Bemo Securitization S.A.L.	39.57%	39.57%	Lebanon	Securitization & Structured Finance
Depository & Custody Company S.A.L.	51.62%	51.62%	Lebanon	Depository and Custody of securities
Bemo Investment Firm S.A.L.	39.57%	39.57%	Dubaï	Investment
Bemo Cyprus	100.00%	100.00%	Cyprus	Corporate

1.1. Macroeconomic Environment

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

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

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

1 CORPORATE INFORMATION (continued)

1.1. Macroeconomic Environment (continued)

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

Lebanese Government's Financial Recovery Plan
A financial recovery plan was ratified by the Cabinet on 20 May 2022. The document was passed by the Cabinet in its final session hours before losing decision-making powers, following the election of a new parliament on 15 May 2022.

Lebanon's government foresees cancelling "a large part" of the Central Bank's foreign currency obligations to commercial banks and dissolving non-viable banks by November, according to the Plan.

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

The endorsed plan foresees a full audit of the Central Bank's forex financial standing by July 2024. Then, the government "will cancel, at the outset, a large part of the Central Bank's foreign currency obligations to banks in order to reduce the deficit in BdL's capital," the document said. The largest 14 commercial banks, representing 83% of total assets, would also be audited. Viable banks would be recapitalised with "significant contributions" from banks' shareholders and large depositors.

The plan made no mention of a sovereign fund to manage state-owned assets but pledges to limit recourse to public assets, which had been a demand of Lebanon's commercial banks. The plan said it would protect small depositors "to the maximum extent possible" in each viable bank but did not lay out a minimum amount to be protected – unlike draft plans. Non-viable banks, however, would be dissolved by the end of November 2022, it added. As of today, laws for the reinstatement of financial stability, for the resolution of banks and for capital controls are yet to be issued. The timeline for their issuance is affected by the presidential vacuum (up until January 2025) and political deadlock facing Lebanon. It also said the government would unify the official exchange rate, ending a system in which the government offered various exchange rates for different operations.

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

Armed conflict
From end of September 2024, Lebanon was subjected to armed attacks, which have escalated, resulting in a significant number of displaced and massive destruction to local establishments and infrastructure. The armed conflict, and its spillovers, have added strain to Lebanon's crisis-ridden economy and have had negative knock-on effects on the ability to conduct business in the country, and the income and revenues of the private and public sector, and individuals. A temporary ceasefire for 60 days was announced on 27 November 2024.

1 CORPORATE INFORMATION (continued)

1.1. Macroeconomic Environment (continued)

Recent Political Developments

The recent political developments (Ceasefire agreement, fall of Syrian regime, presidential elections, PM designation, Cabinet announcement, etc) opened the country to new horizons that could be highly promising, of course if the opportunity is appropriately grasped on behalf of Lebanese decisions makers. This month saw the formation of a cabinet of qualified experts, with a number of promising figures in the announced lineup.

Foreign engagement

There has been a tremendous flow of high-level foreign personalities visiting Lebanon over the past three weeks. Lebanon is on the verge of getting international aid and assistance from the US, Europe and Arab GCC countries. Foreign and Arab investors are relocating Lebanon on their radars and a number of them have already announced their readiness to invest in the country.

Market reaction

Such a political breakthrough has already translated into rallying financial markets. Massive conversions from foreign currencies to Lebanese Pounds took place on the FX market, leading to the BDL reinforcing its FX reserves by US$ 300 million over the past month and to almost replenish so far all the reserves it lost during the All-out war to reach US$ 10.4 billion at end-January 2025. Lebanese are demanding Lebanese Pounds either to take advantage of the relatively high rates of interest on LL deposits or to potentially make gains on an eventual currency appreciation. There has been a 200% surge in the Lebanese Eurobond prices over the past four months, from 6 cents on September 27th 2024 to 9 cents on November 27th 2024 (Ceasefire date) and to 18 cents on February 28th 2025. The flurry in bond prices came amid bets that recent domestic political breakthroughs would pave the way for the implementation of long-overdue reforms, signing a final deal with the IMF, debt restructuring and constructive negotiations with bondholders. A 30% surge in the Lebanese equity market price index was recorded since the ceasefire; Turnovers yet remain tiny, with an average market trading value of US$ 2.3 million per day over the past two months.

The persisting economic crisis in Lebanon, the unavailability of financing, the imposition of de-facto capital controls together with current instability and the effects of the subsequent to period end armed conflict, negatively affect the Bank's financial performance and financial position. Material uncertainties relating to these matters persist, which may adversely impact the Group's financial performance in future periods. The Group is closely monitoring the development of these matters in order to address the risks it is facing on a timely basis. Based on the current facts and circumstances, Management is satisfied that the Group has the resources to continue in business for the foreseeable future. Therefore, the financial statements continue to be prepared on the going concern basis.

Budget Law 2024

Lebanon's parliament passed, on the 26 January 2024, an amended budget for the year 2024. The budget, amended over the course of months from a version that had been submitted to parliament by the Council of Ministers, anticipated higher state revenues earned through VAT and customs fees.

Budget Law 2025

The Council of Ministers ratified in September the budget proposal for 2025 and transferred it to Parliament for approval. Government revenues were set at LBP 410.1 billion (USD 4,557 million) noting a year-on-year increase of 33.0% against the year prior. Government expenditures were set to increase by 38.7% in 2025 against figures from 2024 to reach LBP 427.7 billion (USD 4,752.2 million) in the former. In turn, the proposed budget for 2025 notes a budgetary deficit of LBP 17,567 billion (USD 195.2 million). In parallel, the government's primary surplus was set to decrease by 5.0% year-on-year reaching a forecasted LBP 13,968 billion (USD 155.2 million) in 2025, down from LBP 14,698 billion (USD 181.5 million) in 2024.

1 CORPORATE INFORMATION (continued)

1.2. Regulatory Environment

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

- Basic Circular 150 issued on 9 April 2020 and exempting banks from placing mandatory reserves with the Central Bank of Lebanon in relation to funds transferred from abroad or cash deposits in foreign currency received after 9 April 2020, subject to preserving and guaranteeing the liberty of the depositors in determining the use of these funds and benefiting from all kinds of banking services (transfers abroad, international credit card limits, foreign currency cash withdrawals...).

- Basic Circular 151 issued on 21 April 2020 and concerning depositors who wish to withdraw amounts of cash from their foreign currencies accounts as per a specific rate up to limits set by the Bank. The exchange rate specified by the Central Bank of Lebanon in its transactions with banks will remain applicable to all other operations in US Dollar. At maturity as at 31 December 2023, the circular was not renewed.

- Intermediate Circular 552 issued on 22 April 2020 (amending Basic Circular 23) and requesting banks to grant loans against the settlement of facilities and instalments due during the months of March, April, May and June for clients who are not able to pay their dues due to the current economic situation, as assessed by the Bank. The new loans are to be granted up to 5 years starting 30 June 2020 and on condition, among others, that these are granted to repay the above months' settlements or, if the client is an establishment or corporation, to pay the staff or the production and operational fees, with no commissions or fees and zero interest rate. The Central Bank of Lebanon will grant the banks loans with zero interest rate against the said loans.

- Intermediate Circular 567 issued on 26 August 2020 (amending Basic Circular 23, 44 and 78), which partly altered the directives for the determination of expected credit losses and regulatory capital calculation and ratios, previously set in its Intermediate Circular 543 issued on 3 February 2020. Loss rate applied for the calculation of regulatory expected credit losses on exposures to Lebanese sovereign bonds in foreign currencies was increased from 9.45% to 45%, (later on increased again to 75% by Intermediate Circular 649), while loss rates applied for the calculation of regulatory expected credit losses on exposures to Lebanese sovereign bonds in local currency, exposures to the Central Bank of Lebanon in foreign currencies and exposures to the Central Bank of Lebanon in local currency remained the same (0%, 1.89% and 0% respectively).

    - Allowing banks to constitute the expected credit losses on exposures to Lebanese sovereign and the Central Bank of Lebanon, progressively over a period of five years, noting that the Central Bank of Lebanon's Central Council may accept to extend the term to 10 years for banks that manage to complete the 20% cash contribution to capital requirement. Intermediate circular 649 issued on 24 November 2022 replaced the aforementioned five years and ten years deadline by the fixed dates of 31 December 2026 and 31 December 2029 respectively.
    - Allowing banks not to automatically downgrade loan classification or staging for borrowers that were negatively affected by the COVID-19 pandemic, showing past due and unpaid for the period from 1 February 2020 to 31 December 2020. These borrowers must be identified as either still operating on a going concern basis or not. In case the borrower is still operating as a going concern, the Bank may reschedule the loan. In exceptional cases when the borrower ceases to operate as a going concern following the impact of the COVID-19 pandemic, the Bank must immediately downgrade the loan classification and staging to Stage 3 (default).
    - Requesting from banks to finalise the assessment of the future financial position of their customers by 31 December 2020, and to estimate expected credit losses based on this assessment and recognise the financial impact in the statement of income for the year ended 31 December 2020.
    - Prohibiting banks from distributing dividends on common shares for the years 2019 and 2020 (Years 2021, 2022, 2023 and 2024 were subsequently added by way of Intermediate Circulars 616, 659, 676 and 726 respectively).

1 CORPORATE INFORMATION (continued)

1.2. Regulatory Environment (continued)

- Requesting from banks to increase their own funds (equity) by an amount equal to 20% of their common equity Tier 1 capital as of 31 December 2018, through issuing new foreign currency capital instruments that meet the criteria for inclusion as regulatory capital, except retained earnings and gain from revaluation of fixed assets. The Central Bank of Lebanon's Central Council may exceptionally approve for a bank to complete 50% of the 20% required capital increase through the transfer of real estate properties from the shareholders to the concerned bank. However, these real estate properties must be liquidated in a period of 5 years following the operation.
- Changing the treatment of revaluation of fixed assets reserve for regulatory capital calculation, to become allowed for inclusion as Common Equity Tier 1 (previously 50% of this reserve was allowed for inclusion as Tier 2), subject to approval of the Central Bank of Lebanon on the revaluation gain. On 20 January 2023, Intermediate Circular 659 capped the inclusion of revaluation of fixed assets at 50% under certain conditions while allowing the use of the prevailing Sayrafa rate at the end of each reporting period over 5 years. Besides, it widened the scope of revaluation to include participations and long-term loans to affiliated banks and financial institutions. Intermediate Circular 685 issued on 28 December 2023 increased the contribution of this revaluation to Common Equity Tier 1 from 50% to 75%.
- Banks must comply with the minimum capital adequacy ratios and are forbidden from distributing profits if these ratios drop below 7% for common equity Tier 1, 10% for Tier 1 and 12% for total capital. Banks must maintain a capital conservation buffer of 2.5%, comprised of Common Equity Tier 1. After allowing banks to draw down the buffer fully during 2020 and 2021, a partial drawn up to 1.75% in 2022, latest regulatory changes introduced on 2 February 2024 via Intermediate Circular 689 allowed a full draw down of the 2.5% buffer during years 2023 and 2024. Central Bank of Lebanon will issue future instructions for reconstitution of capital.
- Preparing and presenting to the Central Bank of Lebanon a comprehensive plan for rectifying non-compliances with regulatory capital requirements and other regulations imposed by the Central Bank of Lebanon, taking into consideration all required provisions by the Banking Control Commission of Lebanon (BCCL), as well as other losses or provisions that the Bank expects to incur from all kinds of exposures to risks, and specifying the period of time needed to address the non-compliances.
- Exceptionally for the years 2020 and 2021, Allowances for Expected Credit Losses on Stage 1 and 2 exposures, excluding those relating to Lebanese sovereign and the Central Bank of Lebanon, may be included under regulatory Common Equity Tier 1. This treatment will be amortised over a period of 3 years (2022-2024 by 25% yearly).

• Basic Circular 154 issued on 27 August 2020 and aiming mainly at restoring the operations of banks in Lebanon to their normal levels as at before October 2019, and rectifying any non-compliance with regulatory ratios and banking regulations. The circular mainly introduced the following measures:
  - Requesting banks to present a fair assessment of the value of their assets and liabilities for the purpose of putting in place the comprehensive plan referred to in Intermediate Circular 567 (refer to above), in order to be able, within a period limited in time, to comply with the regulatory and banking requirements, mainly those related to liquidity and solvency, and in order to restore the operations of the Bank to their normal levels as at before October 2019.
  - Requesting banks to incite each customer who has transferred abroad, between 1 July 2017 and the date of the circular, more than USD 500,000 or their equivalent in other foreign currencies, to deposit in a 5-year term "special account" an amount equal to 15% to 30% (depending on the type of customer) of the transferred amount. Banks shall use this type of deposits to facilitate foreign operations that stimulate the national economy. This is also applicable for the banks' importing customers, based on opened letters of credits during any of the years 2017, 2018 and 2019, equivalent to 15% of the value of documentary credits.

1 CORPORATE INFORMATION (continued)

1.2. Regulatory Environment (continued)

- Requesting from banks to maintain a current account with a foreign correspondent bank offshore, free of any obligations (liquidity abroad). Such accounts shall be at no time less than 3% of the Bank's total foreign currency deposits as at 31 July 2020, by 28 February 2021. The requirement was later amended through Intermediate Circular 645 to consider foreign currency deposits as at 30 September 2022 as the basis for the computation instead of 31 July 2020, thus lowering liquidity required levels as customers' deposits decreased over the period. The requirement was later amended through intermediate circular 716, dated 21 November 2024, to consider foreign currencies deposits as at 31 July 2024 instead of 31 July 2020. Banks are granted a time limit ending 31 December 2025 to adjust their situation accordingly.
- Requesting from banks, after taking consideration of their fair assessment of their financial position, to present a plan during the first quarter of 2021, to address recapitalisation needs, if any, to the Central Bank of Lebanon's Central Council, for its approval. Banks shall take the necessary legal and regulatory measures in order to facilitate the consensual possibility for their depositors to transfer their deposits to shares or bonds. Bank shares will be exclusively listed in Beirut. Banks can pay interest on the bonds that exceed current levels.

- Intermediate Circular 568 issued on 26 August 2020 (amending Basic Circular 81) and allowing the payments of retail loans denominated in US Dollar in Lebanese Pounds based on the official exchange rate of LBP 1,507.5 to the US Dollar subject to the following conditions:
  - The client should be a Lebanese resident.
  - The client should not have a bank account denominated in US Dollar.
  - The housing loans granted to the client should not exceed USD 800,000 while the aggregate amount of retail loans should not exceed USD 100,000 per client.
  - On 20 January 2023, Intermediate Circular 656 revoked the aforementioned provision effective 1 February 2023.

- Intermediate Circular 575 issued on 5 November 2020 states that banks should book one third of the capital gains arising from the revaluation of fixed assets held in settlement of debt under Tier 2 capital based on the following binding conditions:
  - The Central Bank of Lebanon's Central Council investigating and approving at the expense of the concerned bank the validity of the revaluation process.
  - Raising the capital before 31 December 2021, as follows:
    - Add a maximum of one third of the revaluation gains under Tier 2 capital.
    - Increase Common Equity Tier 1 capital in cash by an amount at least equivalent to the amount of the revaluation gains booked under Tier 2 capital.

- Basic Circular 157 issued on 10 May 2021 and setting the framework of exceptional measures for foreign-currency operations. Hence, banks operating in Lebanon must process customers' FX operations (buy and sell) related to their personal or commercial needs on the electronic platform "Sayrafa". Transactions with customers encompass purchase and sale of foreign currencies banknotes against LBP, as well as operations from/to foreign currencies external accounts against LBP. Banks are required to properly document each transaction and should not collect commission margins between buy and sell operations exceeding 1%.

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

1 CORPORATE INFORMATION (continued)

1.2. Regulatory Environment (continued)

Eligible funds will be transferred to a subaccount over which banking secrecy will be lifted vis-à-vis BdL and BCC before being gradually withdrawn and remitted to the customer on a monthly basis. Customers' monthly entitlements are (i) an amount of USD 400 in cash or equivalent (transfer abroad, credited to a payment card with international usage, etc.) (amended later on to US$ 300 for all BDL 158-based contracts signed with the customers after 1 July 2023 following the issuance of BDL intermediate circular 674 on 5 July 2023) and (ii) an amount in LBP equivalent to USD 400 and converted at a rate USD/LBP 12,000 (before amendment USD/LBP at 15,000 on 20 January 2023), noting that 50% of the amount will be paid in cash and 50% will be credited to a payment card. The portion in LBP was later on removed with the issuance of BDL Intermediate Circular 674. On 17 November 2023, BdL issued Intermediate Circular 682 adding an eligibility criteria to benefit from Basic Circular 158; On 8 June 2024, Intermediate Circular 697 expanded the scope of beneficiaries to include minors. Besides, beneficiaries of BDL Basic Circular 158 can now benefit from BDL Basic Circular 166 as long they don't benefit from both circulars concurrently in the same "yearly cycle" (1st of July in any given year -30th of June in the following year). Customers who have transferred their funds after the crisis to another local Bank can benefit from the provisions of said circular if (i) transferred funds are returned to the originating bank, and if (ii) the customer hadn't benefited from the circular neither from the originating Bank, nor the destination Bank.

The financing of the aforementioned process will be secured equally through (i) BdL reduction of compulsory reserves requirements from 15% to 14% as per BdL Intermediate Circular 586 and (ii) the Bank's offshore liquidity. To that end, the Bank can use its foreign liquidity subject computed as per BdL Basic Circular 154 requirements on the condition that it reconstitutes it by 31 December 2022, extended to 31 December 2023 by Intermediate Circular 626 issued on 21 June 2022.

- Basic Circular 159 issued on 17 August 2021 preventing banks from processing foreign currency funds received from customers whether in the form of cash or through offshore transfers at a value other than its face value, with the exception of transactions pertaining to the settlement of loans (which was subsequently removed by Intermediate Circular 671 issued on 20 June 2023). It also prevented banks from purchasing foreign currencies at parallel rate with the exception of the purchase foreign currencies duly recorded on the electronic platform and resulting from offshore incoming transfers with the purpose of (i) enhancing liquidity, (ii) engaging in medium or long term investments, (iii) settling international commitments. Finally, the circular prevented banks from purchasing bankers' checks and other bank accounts in foreign currencies, whether directly or indirectly.

- Intermediate Circular 600 (amending Basic Circular 73) issued on 3 November 2021 requires banks to record existing and future provisions for expected credit losses in the same currency as the related assets and off-balance sheet exposures. Banks are also required to set in place necessary measures to manage their FX position resulting from provisions recorded in foreign currencies.

- Intermediate Circular 601 issued on 8 December 2021 is an amendment to the provisions of Basic Circular 151. The circular stipulates that the Platform Rate to be applied for withdrawal cash from foreign currencies accounts is LBP 8,000 USD/LBP up to a maximum limit of USD 3,000 per month. On 20 January 2023, Intermediate Circular 657 amended the rate to be 15,000 instead of 8,000 while reducing the limit from USD 3,000 per month to USD 1,600 per month. On 5 July 2023, Intermediate Circular 673 removed the maximum conversion amount of USD 1,600 per month per customer. However, BDL maintained its commitment to buy from the Bank a maximum amount of USD 1,600 per month per customer. At maturity as at 31 December 2023, the circular was not renewed.

- Basic Circular 161 issued on 16 December 2021 whereby the Central Bank of Lebanon will be providing banks with US Dollar up to the limits set for each bank, at the Sayrafa rate. In return, banks will provide the total amount to their customers at the same Sayrafa rate against LBP at limits set by the bank.

- Intermediate Circular 616 issued on 3 March 2022 prohibiting banks from distributing dividends to ordinary shareholders from results of financial years 2019, 2020 and 2021 (years 2022 and 2023 were added through Intermediate Circular 659 and 676 respectively).

1 **CORPORATE INFORMATION (continued)**

1.2. **Regulatory Environment (continued)**

- Basic Circular 162 issued on 28 March 2022 requesting from banks to secure a level of liquidity sufficient to allow public sector employees to withdraw their monthly salaries and other compensations without setting any type of limits.

- Basic Circular 163 issued on 27 May 2022 defining the framework for the monitoring of the accounts of public officials, the performance of due diligence on their operations and the reporting to the Special Investigation Committee on the basis of founded suspicion.

- Intermediate Circular 637 issued on 27 July 2022 (amending Basic Circulars 65 and 78) requires banks selling real estate properties or participations acquired in accordance with the provisions of Article 153 or 154 of the CMC, only against fresh USD or its equivalent in LBP based on Sayrafa rate.

- Basic Circular 164 issued on 12 October 2022 and requesting banks to report to the Banking Control Commission on the cost of their monthly operating expenses that should be paid with fresh money, the resources for settling these expenses and how to ensure those resources.

- Intermediate Circular 648 issued on 1 November 2022 (amending Basic Circulars 14 and 67) reduced by 50% the interest rates served on foreign currencies placements with BdL and on Certificates of Deposits issued by BdL while continuing paying 50% of coupon payment in the instrument's currency and 50% in LBP at official rate (LBP 1,507.5 to the US Dollar until 31 January 2023 and LBP 15,000 to the US Dollar afterwards). This circular was later amended on 2 February 2024 by Intermediate Circular 686 increasing the interest rate reduction on foreign currencies placements with BdL and on Certificates of Deposits issued by BdL from 50% to 75% while limiting the coupon payment to be in FCY only. The Intermediate Circular 701 issued on 27 June 2024 specified that interests paid in USD by BDL on the banks' term deposits in US dollars and on Certificates of deposits in US Dollars owned by banks will be placed in the non-"cash money" current account opened at BDL for the concerned bank. Those provisions are applicable until 31 December 2024.

- Intermediate Circular 649 issued on 24 November 2022 (amending Basic Circulars 44 and 143) introduced a forbearance treatment in capital ratios computation by allowing the exclusion from Common Equity Tier 1 of a portion of losses incurred from FX purchases from BdL against LBP banknotes (66% and 33% respectively in 2022 and 2023).

- Intermediate Circular 664 issued on 28 March 2023 (amending Basic Circular 81) requires banks to comply with article 863 of the Civil Procedure Law, which does not allow blocking partially or in full the wages and retirement pensions of employees, workers and servants and the salaries of civil servants, for the settlement of retail loans in foreign currencies except according to the ceilings set in the mentioned article. Banks were requested to reschedule retail loans provided in foreign currencies so that the related monthly settlements don't exceed the ceilings of article 863 nor 35 % of the family income. On 3 November 2023, the Intermediate Circular 680 was issued and requested from banks to also comply with article 865 (in addition to article 863) of the Civil Procedure Law and article 860 of the same law on the prohibition of seizing the retirement pensions of civil servants.

- Basic Circular 165 issued on 19 April 2023 and requesting banks to open new accounts at BDL in LBP and in US$ specifically and exclusively for the "Cash Money" (i.e. money transferred from abroad and/or received as banknotes in foreign currencies after 17 November 2019 in addition to the money deposited or which will be deposited as banknotes in new accounts in LBP and which respect the conditions set in BDL basic circular 150 for "fresh money"). These new accounts will be used for the settlement, compensation & transfer operations through BDL National Payment System (BDL-NPS).

- Intermediate Circular 667 issued on 13 April 2023 (amending Basic Circular 69) enhancing the framework of "Electronic Banking and Financial Operations" by introducing mainly new detailed rules applicable to E-signature, E-KYC and data protection, along with the related authorization processes from regulatory bodies.

1 CORPORATE INFORMATION (continued)

1.2. Regulatory Environment (continued)

- Intermediate Circular 683 issued on 17 November 2023 amending the provisions BDL Basic Cicular 32 which defines the framework of Foreign Exchange ("FX") operations in Banks operating in Lebanon and various FX positions computation. This circular came on the wake of several amendments applied in 2023 (Intermediate Circular 659, Intermediate Circular 675 and Intermediate Circular 677) aiming at converging to the IAS 21: The effects of changes in Foreign Exchange rates differentiating monetary from non-monetary items and the corresponding impact on the Bank's FX position. Based on the new definition, the Bank is authorized to hold a Special Long FX position to hedge its core equity against FX risk. This special long FX position is to be deducted from the FX open position to reach the FX Trading Position. Besides, the circular reintroduced the 1% maximum limit (if the Bank holds concurrently a long open position and a net long trading position) on net trading position and 40% limit on Global position, while cancelling all previously authorized structural/fixed positions and any forbearance limit. The circular states that excesses over set limits at end-December 23 should be liquidated gradually by 31 December 2024 if long and by 31 December 2025 if short.

- Intermediate Circular 659 issued on 20 January 2023 (amending Basic Circulars 32 and 44) states that banks should liquidate their short open FX positions, as at 31 December 2022, gradually, on a period of 5 years. In addition, for the capital ratios computation, it capped the inclusion of revaluation of fixed assets at 50% in Common Equity Tier 1 under certain conditions while allowing the use of the prevailing Sayrafa rate at the end of each reporting period over 5 years.

- Intermediate Circular 661 issued on 31 January 2023 (amending Basic Circulars 23, 152 and 159) states that the exchange rate for repayment was increased to LL 15,000 to the US Dollar.

- Intermediate Circular 689 issued on 2 February 2024 permitting the full inclusion in Common Equity Tier 1 of balance of Foreign Currency Translation Adjustments as well as 75% of net changes from FVTOCI instruments. Besides, it allowed a full draw down of the 2.5% capital conservation buffer during years 2023 and 2024.

- Intermediate Circular 690 issued on 2 February 2024 permitting the full inclusion in the regulatory equity of positive balance (gains) of Foreign Currency Translation Reserve noting that this equity is used for the computation of various regulatory ratios other than capital adequacy ratios (FX position, limit of placement with FI, Code of money credit ("CMC") 153 limit.

- Intermediate Circular 692 issued on 15 February 2024 amending the provisions of BDL Basic Circular 83 which defines the framework of the system for fighting Money Laundering and Terrorist Financing. The circular requested banks & financial institutions to establish within the AML/CFT Unit, an Anti-bribery & Corruption Unit.

- Basic Circular 166 issued on 2 February 2024 defining a new mechanism for the repayment of restricted funds in FCY and de-facto replacing Basic Circular 151, which authorized limited withdrawals in LBP from foreign currencies accounts at pre-defined exchange rates and has not been renewed. Beneficiaries from said circular – who cannot be old or current beneficiaries from Basic Circular 158 - would be able to withdraw on a monthly basis USD150 in cash up to a cumulative amount of USD 4,350 until June 2026. 50% of said amount will be financed from the Bank's own liquidity and 50% from the Bank's restricted funds with BDL. Certain exclusions parameters apply to potential customers wishing to benefit from the circular (Customers who did not return offshore transfers as per basic circular 154, traders of checks, customers who converted LBP deposits into foreign currencies for at least USD 300,000 post-crisis with the exception of those who converted their end of service indemnity, customers who settled their FCY loans for an amount equivalent to USD 300,000 from LBP proceeds, beneficiaries of sayrafa transactions above or equal to USD 75,000, corporate clients, etc.). On 27 June 2024, Intermediate Circular 698 expanded the scope of beneficiaries to include minors. Besides, beneficiaries of BDL Basic Circular 166 can now benefit from BDL Basic Circular 158 as long they don't benefit from both circulars concurrently in the same "yearly cycle" (1st of July in any given year -30th of June in the following year).

1 CORPORATE INFORMATION (continued)

1.2. Regulatory Environment (continued)

- BDL intermediate Circular 686 issued on 2 February 2024 increasing the interest rate reduction on foreign currencies placements with BDL and on Certificates of Deposits issued by BDL from 50% to 75% while limiting the coupon payment to be in FCY only, on 27 June 2024 BDL issued intermediate Circular 701 mentioned that the above interest will be paid in the current restricted account.

- Basic Circular 167 issued on 2 February 2024 defining the published rate on BDL's electronic platform as the FX translation rate for the Bank's FCY monetary items as well for the non-monetary assets measured at fair value and assets measured as per equity method in line with IAS 21. This measure applies starting January 2024 reported financials.

- BDL intermediate Circular 692 issued on 15 February 2024 amending the Basic Circular 83 requires banks to establish, under the AML department, at least two units. The first unit is responsible for overseeing the head office and the bank's branches. The second unit is dedicated to combating corruption and anti-bribery.

- BDL Intermediate Circular 696, issued on June 6, 2024, amends Basic Circular 143 by cancelling Paragraph 2 of article 5, which stipulates those gains stemming from transactions (swapping/buying/selling) with BDL, must be amortized by banks and financial institutions over the tenor of the concerned securities, rather than booking them as one-off profits.

- BDL intermediate Circular 697 issued on 27 June 2024 introduce several amendments to the Basic Circular 158: which stated that eligible account holders that are currently benefitting from the provisions of basic circular 158 cannot benefit from the provisions of basic circular 166 on any individual or joint accounts from any bank during the yearly cycle beginning July 1 and ending by June end of each year. The intermediate circular also stated that if one of the concerned parties in the joint account benefits from the provisions of circular 158, the other party will not be able to benefit from the provisions of basic circular 166 related to the same joint account yet can benefit from the provisions of circular 166 in any of his other accounts if he is currently not benefiting from the provisions of circular 158 during the current yearly cycle. The circular consented banks to use their 3% external liquidity to satisfy the provisions of the circular yet required banks to reconstitute the 3% threshold by end of year 2025 should it fall below the minimum required level. Finally, the provisions of intermediate circular 697 will come into effect starting July 1, 2024, with a renewable or amended 1 year term and will remain active until all the eligible amount that is transferred to the special subaccount is consumed.

- BDL intermediate Circular 698 issued on 27 June 2024 amending the Basic Circular 166 where it relaxed the eligibility criteria for basic circular 166 directed to banks concerning the gradual payment of foreign currency deposits ($150 monthly withdrawal). In details, intermediate circular 698 allowed minors to benefit from the provisions of basic circular 166, whilst also including heirs of eligible account holders and those who have finished benefitting from BDL circular 158 in the eligibility criteria of the circular. The intermediate circular remains effective until June 1, 2025 subject to modification or renewal.

- BDL intermediate Circular 707 issued on 20 September 2024 amending the Basic Circular 154 requiring banks to constitute an external account (net of any liabilities) at their correspondent banks equivalent to at least 3% of the size of foreign currency customer deposits as at July 31, 2024 instead of September 30, 2022 as per the provisions of the previous circular 154, The banks that are in violation of the regulations are granted an extension until 31/12/2025 to regularize their situation. In addition, the circular allowed banks to include in the calculation of the aforementioned liquidity threshold the market value of Lebanese Eurobonds held at Midclear or at a depository outside Lebanon and booked at Fair Value Through Profit or Loss (FVTPL) or Fair Value through Other Comprehensive Income (OCI) as well as the market value of investment grade securities booked at FVTPL. Finally, the intermediate circular 707 requested that funds that were transferred outside the country since July 1, 2017 and subsequently repatriated to Lebanon under the provisions of BDL circular 154 be deposited in a special savings account for a period of eight years instead of the previously required five years.

1 CORPORATE INFORMATION (continued)

1.2. Regulatory Environment (continued)

- BDL intermediate Circular 708 issued on 20 September 2024 amending the Basic Circular 43,44 in which it consented banks to book under common equity tier 1 capital 75% of the capital gains on their real estate portfolios acquired in settlement of debt under article 154 of the Code of Money and Credit for the calculation of solvency ratios conditional upon:
  - The verification of the Central Council of BDL
  - The completion of the real estate revaluation exercise prior to 31 December, 2025.

The circular stipulates that the revaluation value should be conducted in fresh dollars and booked in Lebanese Pounds at the exchange rate specified by BDL's electronic platform as of the date of the settlement of the applicable tax payment on the revaluation surplus.

The intermediate circular amended as well the first section of article 8 of appendix 1 under basic decision number 6939 (Basic Circular 44)pertaining to the calculation of solvency ratios permitting banks to book under reserves associated with accumulated other comprehensive income revaluation gains arising from the revaluation of banks' real estate portfolios and fixed assets that are booked under common equity tier 1 capital including those surpluses generated by the revaluation of real estate assets acquired in settlement of debt.

- BDL intermediate Circular 709 and 710 issued on 25 September 2024 amending the Basic Circular 158,166. In details, and given the exceptional circumstances Lebanon is going through, the intermediate circulars permitted eligible depositors benefitting from the provisions of basic circulars 158 and 166 to withdraw two additional monthly payments in addition to the allowed monthly payment during the month of October 2024 with the annual withdrawal ceilings adjusted accordingly. Finally, the liquidity needed for banks to cover the two extra payments for depositors benefitting from the provisions of basic circular 158 will be provided by reserve requirements in foreign currency placed by banks at the Central Bank.

- BDL intermediate Circular 711 issued on 10 October 2024 amending the Basic Circular 166 in which it removed one of the eligibility conditions for Basic Circular 166 that stipulates that depositors who converted after October 31, 2019 Lebanese-pound deposits to US dollars in excess of $300,000, except for the conversion of end-of-service indemnities to US dollars and kept all other conditions.

- BDL intermediate Circular 712 issued on 10 October 2024 amending the basic Circular 147. In details, the circular stipulates that in the event a bank had issued a banker's check to one of its clients, it has to accept, upon the request of the client and on his own responsibility, to redeposit the check in the client's account if it wasn't used by the client conditional upon the absence of pending legal constraints or litigation between the client and the bank regarding the concerned check or the bank account in question. The circular added that the bank will have to reopen a bank account for the concerned client to deposit the aforementioned check if his account was closed. Furthermore, the circular noted that the client will be given the privilege to benefit from the provisions of BDL basic circulars 158, 166 or any other future BDL circulars if the client is eligible once the check is redeposited in his bank account.

- BDL intermediate Circular 713 and 714 issued on 31 October 2024 amending the Basic Circular 158,166. In details, and given the exceptional circumstances Lebanon is going through, the intermediate circulars permitted eligible depositors benefitting from the provisions of basic circulars 158 and 166 to withdraw one additional monthly payment in addition to the allowed monthly payment during the month of November 2024 with the annual withdrawal ceilings adjusted accordingly. Finally, the liquidity needed for banks to cover the extra payments for depositors benefitting from the provisions of basic circular 158 will be provided by reserve requirements in foreign currency placed by banks at the Central Bank.

- BCCL memo 1/2024 issued on 4 June 2024 requiring banks to record the amount of the uncollected bankers' checks on their balance sheet under the item private sector creditors-other accounts payables, or under the item public sector creditors-other accounts payable.

1 CORPORATE INFORMATION (continued)

1.3 Particular situation of the Group

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

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

	2024		*2023*	
	Year-end Rate	*Average Rate*	*Year-end Rate*	*Average Rate*
	LBP	*LBP*	*LBP*	*LBP*
US Dollar	89,500	83,292	15,000	13,876
Euro	93,465	78,685	16,695	15,049

The exchange rates above consist of the official exchange rates published by the Central Bank of Lebanon on a monthly basis. However, several exchange rates have emerged since the last quarter of 2019 that vary significantly among each other and from the official one: the parallel exchange markets and the Sayrafa rate that are highly volatile.

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

	Rate as at 31 December 2024	*Average Rate for the year ended 31 December 2024*	*Rate as at 31 December 2023*	*Average Rate for the year ended 31 December 2023*
	LBP	*LBP*	*LBP*	*LBP*
US Dollar	89,500	83,292	89,500	78,116

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

In February 2023, the Central Bank of Lebanon changed the official published exchange rate from LBP 1,507.5 to LBP 15,000 to the US Dollar. Sayrafa Rates and parallel market rates remained highly volatile and divergent from the new official published exchange rate (LBP 42,000 and LBP 58,200 respectively at 1 February 2023).

In January 2024, the Central Bank of Lebanon changed the official published exchange rate from LBP 15,000 to LBP 89,500 to the US Dollar.

1 CORPORATE INFORMATION (continued)

1.3 Particular situation of the Group (continued)

31 December 2024
The Group uses the official published exchange rate to translate all monetary balances and transactions in foreign currencies, regardless of their source or nature. With respect to onshore monetary assets and liabilities, subject to de-facto capital controls, this does not always represent a reasonable estimate of expected cash flows in Lebanese Lira that would have to be generated/used from the realisation of such assets or the payment of such liabilities at the date of the financial statements.

31 December 2023
Because of the gap between the several exchange rates available, the number of variables and assumptions affecting the possible future resolution of the uncertainties is very high, increasing the subjectivity and complexity of the judgment, and Management was unable to determine the rate at which the future cash flows represented by the transaction or balance could have been settled depending on its source and nature, if those cash flows had occurred at the measurement date. Accordingly, the Group uses the official published exchange rate to translate all balances and transactions in foreign currencies, regardless of their source or nature which does not represent a reasonable estimate of expected cash flows in Lebanese Pounds that would have to be generated/used from the realisation of such assets or the payment of such liabilities at the date of the transaction or at the date of the consolidated financial statements.

Excepted Credit Losses
As at 31 December 2024, loss allowances on assets held at the Central Bank of Lebanon are recorded in these financial statements according to the Group's policy, which is by far above the regulatory limits as per the Central Bank of Lebanon Intermediate circular 567. Due to the high levels of uncertainty and to the lack of observable indicators and of visibility on the government's plans with respect to banks' exposure to the Central Bank of Lebanon and Lebanese sovereign, Management is unable to estimate in a reasonable manner expected credit losses on these exposures. Accordingly, these financial statements do not include adjustments of the carrying amount of these assets to their recoverable amounts based on International Financial Reporting Standards and an expected credit loss model.

The impact is expected to be pervasive and will be reflected in the consolidated financial statements once the debt restructuring has been defined conclusively by the government and all uncertainties and constraints are resolved, and once the mechanism for allocating losses by asset class and currency is clear and conclusive. Maximum exposures to the credit risk of the Central Bank of Lebanon and the Lebanese government and the recognised loss allowances, as well as their staging, are detailed in Note 45 to these consolidated financial statements.

As a result of the negative economic conditions and the deepening of the recession, the credit quality of the private loans portfolio concentrated in Lebanon has significantly deteriorated since the last quarter of 2019. The deterioration was further aggravated by the effects of the COVID-19 pandemic and the significant high inflation in Lebanon. Since the start of the Lebanese crisis, the Bank has been implementing a de-risking strategy by considerably reducing its assets size, specifically its portfolio of private loans concentrated in Lebanon. It has also set up a centralised and specialised remedial function to proactively review and manage the quality of its various portfolios. The private loans portfolio of Lebanese entities has significantly contracted since the onset of the Lebanese crisis as it decreased from USD 394,149,253 at 31 December 2019 to USD 33,805,950 as at 31 December 2024. With all other variables held constant, Management believes that the significant devaluation of the Lebanese Pound (and de-facto local US Dollar) and the triple digit inflation, reduced the risks of default compared to 31 December 2019. However, given the high level of uncertainties facing the Lebanese economy and the expected type of instruments underlying future cash flows on settlement of these private loans, loss allowances have been estimated based on the best available information at the reporting date about past events, current conditions and forecasts of economic conditions combined with expert judgment. Maximum exposures to the credit risk of the Group's portfolio of private loans and the recognised loss allowances, as well as their staging, are detailed in Note 45 to these consolidated financial statements.

1 CORPORATE INFORMATION (continued)

1.3 Particular situation of the Group (continued)

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

Litigations and Claims
Until the above uncertainties are resolved, the Group is continuing its operations as performed since 17 October 2019 and in accordance with the laws and regulations. De-facto capital controls and inability to transfer foreign currencies to correspondent banks outside Lebanon are exposing the Group to litigations that are dealt with on a case by case basis when they occur. The Group has been subject to increased litigations as a result of these restrictive measures adopted by Lebanese banks in relation to withdrawal of funds and transfers abroad, as well as in relation to the repayment by customers of local foreign currency loans in Lebanese Pounds. Management is carefully considering the impact of these litigations and claims. There are still uncertainties related to the consequences of these restrictive measures based on the current available information and the prevailing laws and local banking practices. Management believes that a legislative solution is urgently needed, through the enactment of laws that are appropriate for the adjudication of the unconventional legal disputes arising under the current exceptional circumstances. Due to recent developments and the increasing trend in judgments ruled in favour of the plaintiffs and customers during 2021, 2022, 2023 and 2024, Management considers that they may affect negatively the offshore liquidity of the Group, its foreign assets and its foreign currency exposure. The amount cannot be determined presently.

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

Law 330 dated 4 December 2024
Law 330 enacted on 4 December 2024 (amending Article 45 of Income Tax Law 144 and its amendments), authorized taxpayers to conduct a nontaxable exceptional revaluation of fixed assets and inventory, and an exceptional adjustment on the negative or positive foreign exchange difference resulting from receivable and payable balances and from financial accounts in foreign currency. On 12 March 2025, the Ministry of Finance issued the decisions 338, 339 and 340 related to the application of Law 330. On 1 August 2025, the Ministry of Finance issued decision 715/1 related to the application of Law 330.

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

1 CORPORATE INFORMATION (continued)

1.3 Particular situation of the Group (continued)

Measures by the Bank (continued)

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

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

The roadmap was submitted to the Central Bank of Lebanon on 25 February 2021, including a number of assumptions that remain highly susceptible to material change depending on the evolution of the financial, monetary and operating conditions in Lebanon. Hence, a definitive reasonable and credible roadmap can only be achieved once the many material uncertainties still governing the outlook in Lebanon are resolved and the amount of recapitalisation needs is accurately determinable.

Once the above uncertainties are resolved, a pro-forma balance sheet of the Bank will be prepared which will include the effects of the revaluation of the assets and liabilities in foreign currencies, the effects of the hyperinflation, the effects of the restructuring of the government debt securities, the effects of the restructuring of the Central Bank of Lebanon balance-sheet and the effects on its private loan portfolio.
The Bank's key strategic objectives during this challenging period focused on the consolidation and de-risking of the domestic franchise and operations, and the ring-fencing of foreign entities and branches from Lebanon's spill-over effects.

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

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

1 CORPORATE INFORMATION (continued)

1.3 Particular situation of the Group (continued)

Measures by the Bank (continued)

The Group has so far implemented a series of measures in relation to these key strategic objectives and pillars, including:

- In accordance with Central Bank of Lebanon Intermediary Circular 567, banks are required to increase their own funds (equity) by an amount equal to 20% of their Common Equity Tier 1 capital as of 31 December 2018, through issuing new foreign currency capital instruments. The amount of increase required for the Bank is USD 12,935,000. On 21 April 2021, the Bank submitted to the regulators the measures taken in this respect which entail:
  - Injection of cash contribution from shareholders.
- The Bank submitted to the regulators a calculation for meeting the regulatory requirement of 3% liquidity ratio with foreign banks in accordance with Central Bank of Lebanon Basic Circular 154.
- Re-establishing normal banking services with the active promotion of the "External Account" platform.
- Improving operational efficiency and strengthening governance by:
  - Implementing a cost optimisation plan.
- Significantly reducing its net positions in foreign currencies from a short position to a long position in view of managing risks from fluctuation of exchange rates and the significant devaluation of the LBP, on its income statement and equity. The reduction of the net open position was achieved through purchases of local foreign currencies from customers during 2024 and 2023 resulting in booked losses in other comprehensive income of LBP 3,140 billion in 2024 (2023: booked losses of LBP 13 billion).

All of these measures have helped strengthen the Group's financial position, including international liquidity and solvency metrics. However, as at 31 December 2024, consolidated capital adequacy ratios stood at 0.46%, 0.54% and 1.67% for CET1, Tier 1 and Total CAR respectively, below the minimum regulatory levels of 4.5%, 6.0% and 8.0% applicable in 2024 (since banks are allowed to draw down on the 2.5% capital conservation buffer during 2023 and 2024). Negative impact is anticipated from the application of the new official exchange rate of LBP 89,500 to the US Dollar effective 31 January 2024, upon translation of FCY-denominated risk-weighted assets.

The Bank is unable to predict the response of the Central Bank of Lebanon on its submitted roadmap, as well as the level of its adherence with the banking regulations and its planned actions, nor it is able to predict the measures that might be taken by the regulator in that regard. Once the Bank receives official feedback from the Central Bank of Lebanon, Management will be able to assess its impact on the financial statements of the Group.

The Bank is also uncertain whether the measures set out in its roadmap above would be sufficient to cover all its commitments as they become due and restore the activities of the Bank to normal pre-crisis levels. Such sufficiency and a reasonable and credible plan can only be achieved once the uncertainties from the prevailing crisis, the multitude of exchange rates, hyperinflation, as well as the implementation of a clear national fiscal and economic recovery plan are resolved.

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

2 MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis except for: a) the revaluation of land and buildings acquired prior to 1999 are measured at their revalued amounts based on market prices prevailing during 1999 as permitted by local regulations, to compensate for the inflationary effects prevailing in the earlier years, and b) the measurement at fair value of derivative financial instruments, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

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

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

The Lebanese Central Administration of Statistics reported 3-year and 12-month cumulative rates of inflation of 666% and 18%, respectively, as of December 2024 (2023: 2,005% and 192%). Qualitative indicators, following the deteriorating economic condition and currency controls, also support the conclusion that Lebanon is a hyperinflationary economy for accounting purposes for periods ending on or after 31 December 2020.

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

IAS 29 – Financial Reporting in Hyperinflationary Economies (continued)

v. At the beginning of the first year of application of the restatement method of financial statements in terms of the current measuring unit, the prior year comparatives are restated in terms of the measuring unit current at the end of the current reporting period. The equity components, except for reserved earnings and undistributed retained earnings, shall also be restated, and the amount of undistributed retained earnings shall be determined by the difference between net assets restated at the date of transition and the other components of opening equity expressed as indicated above, once all remaining equity components are restated.

vi. Income and expenses are restated from the date when they were recorded, except for those profit or loss items that reflect or include in their determination the consumption of assets carried at the purchasing power of the currency as of a date prior to the recording of the consumption, which are restated based on the date when the asset to which the item is related originated; and except those profit or loss items originated from comparing two measurements expressed in the purchasing power of currency as of different dates, for which it is necessary to identify the compared amounts, restate them separately, and compare them again, but with the restated amounts.

vii. At the beginning of the first year of application of the restatement method of financial statements in terms of the current measuring unit, the prior-year comparatives are restated in terms of the measuring unit current at the end of the current reporting period. The equity components, except for reserved earnings and undistributed retained earnings, shall also be restated, and the amount of undistributed retained earnings shall be determined by the difference between net assets restated at the date of transition and the other components of opening equity expressed as indicated above, once all remaining equity components are restated.

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Presentation of Financial Statements

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

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

2.2. Basis of Consolidation

The consolidated financial statements comprise the financial statements of Banque BEMO S.A.L. and its subsidiaries as at 31 December 2024. Details of the principal subsidiaries are given in Note 1.

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

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

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.2. Basis of Consolidation (continued)

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

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

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

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

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

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

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments did not have a material impact on the Group.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The amendments did not have a material impact on the Group.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.3. New and Amended Standards and Interpretations (continued)

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

Other amendments and interpretations apply for the first time in 2024, but do not have an impact on the Group's consolidated financial statements.

2.4. Standards Issued but not yet Effective

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2024, with the Group not opting for early adoption. These have therefore not been applied in preparing these consolidated financial statements. The most significant of these new standards, amendments and interpretations are as follows:

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

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

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

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

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Group is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5. Summary of Material Accounting Policies

Business Combinations and Goodwill

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

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

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

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

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

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5. Summary of Material Accounting Policies (continued)

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

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

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

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

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

Foreign currencies
The consolidated financial statements are presented in Lebanese Lira (LL) which is also the Group's functional currency.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5. Summary of Material Accounting Policies (continued)

Foreign currencies (continued)

(i) Transactions and Balances
Transactions in foreign currencies are initially recorded at the official published exchange rate ruling at the date of the transaction (as disclosed in Note 1).

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

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

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

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

Financial instruments – initial recognition

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

(ii) Initial measurement of financial instruments
Financial instruments are initially measured at their fair value, plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument. In the case of a financial instrument is measured at fair value, with the change in fair value being recognised in profit or loss, the transaction costs are recognised as revenue or expense when the instrument is initially recognised.

When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5. Summary of Material Accounting Policies (continued)

Financial assets – classification and measurement
On initial recognition, financial assets are classified as measured at: amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of two criteria:
(i) The business model within which financial assets are measured; and
(ii) Their contractual cash flow characteristics (whether the cash flows represent "solely payments of principal and interest" (SPPI)).

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

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

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

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

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

Business model
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. Generally, a business model is a matter of fact which can be evidenced by the way business is managed and the information provided to management.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Financial assets – classification and measurement (continued)

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

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

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

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

Financial assets at amortised cost
Balances with Central Bank, due from Banks and financial institutions, loans and advances to customers and to related parties at amortized cost and Financial assets at amortized cost.

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

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

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

These financial assets are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated under equity. The cumulative gain or loss will not be reclassified to the consolidated income statement on disposal of the investments.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Summary of Significant Accounting Policies (continued)

Financial Assets – Classification and Measurement (continued)

Financial Assets at Fair Value through Other Comprehensive Income (continued)

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

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

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

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

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Summary of Significant Accounting Policies (continued)

Financial Assets – Classification and Measurement (continued)

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

Equity Instruments at Fair Value through Profit or Loss (continued)

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

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

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

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Summary of Significant Accounting Policies (continued)

Derivatives Recorded at Fair Value through Profit or Loss

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

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

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

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

Embedded Derivatives

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

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

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

Financial Guarantees, Letters of Credit and Undrawn Loan Commitments

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Summary of Significant Accounting Policies (continued)

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

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

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

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

(i) Derecognition Due to Substantial Modification of Terms and Conditions
If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:
- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset.
- Other fees are included in profit or loss as part of the gain or loss on derecognition.

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Summary of Significant Accounting Policies (continued)

Derecognition of Financial Assets and Financial Liabilities (continued)

Financial Assets (continued)

(ii) Derecognition Other than for Substantial Modification

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

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

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

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

A transfer only qualifies for derecognition if:

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

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Summary of Significant Accounting Policies (continued)

Derecognition of Financial Assets and Financial Liabilities (continued)

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

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

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

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

Impairment of Financial Assets

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Summary of Significant Accounting Policies (continued)

Impairment of Financial Assets (continued)

(ii) Measurement of ECLs

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

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

They key inputs into the measurements of ECL are:

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

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

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

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

(iii) Forborne and Modified Loans

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Summary of Significant Accounting Policies (continued)

Derecognition of Financial Assets and Financial Liabilities (continued)

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

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

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

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

Impairment of Financial Assets

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Summary of Significant Accounting Policies (continued)

Impairment of Financial Assets (continued)

(ii) Measurement of ECLs

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

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

They key inputs into the measurements of ECL are:

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

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

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

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

(iii) Forborne and Modified Loans

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Summary of Significant Accounting Policies (continued)

Impairment of Financial Assets (continued)

(iii) Forborne and Modified Loans (continued)

If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

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

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

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

(iv) Credit-impaired Financial Assets

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

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

(v) Write-offs

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

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

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

(vii) Collateral Repossessed

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Summary of Significant Accounting Policies (continued)

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Summary of Significant Accounting Policies (continued)

Hedge Accounting
As part of its risk management, the Group has identified a series of risk categories with corresponding hedging strategies using derivative instruments, as set out in Note 19.

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

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

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

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

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Summary of Significant Accounting Policies (continued)

Hedge Accounting (continued)

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

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

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

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Summary of Significant Accounting Policies (continued)

Hedge Accounting (continued)

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

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

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

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

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

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

(ii) Lease Liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.
In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Summary of Material Accounting Policies (continued)

Leases (continued)

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

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

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

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

Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate and treated as changes in accounting estimates.

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

• Buildings	40 years
• Installations and leasehold improvements	3-5 years
• Motor vehicles	5 – 10 years
• Computer equipment	3 – 5 – 8.33 years
• Office equipment and furniture	3 – 8.33 –12.5 years

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in "Net gain from disposal of property and equipment" in the year the asset is derecognised.

The assets' residual lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively if applicable.

Intangible assets

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

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

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

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

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

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

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

- Computer software 5 years

Assets obtained in settlement of debt, assets held for sale and discontinued operations

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Assets obtained in settlement of debt, assets held for sale and discontinued operations (continued)

A revaluation surplus is recorded in other comprehensive income and credited to the revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. As per law 330 and decision 715/1, the positive difference in value between the expert and cost is booked in a separate account, when the asset is sold this difference is subject to income tax.

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

Impairment of Non-financial Assets

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

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

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Provision for termination indemnity

End of service indemnity subscriptions paid and due to the National Social Security Fund are calculated on the basis of 8.5% of the staff salaries. The final termination indemnities due to employees after completing 20 years of service or at the retirement age or if the employee leaves permanently the employment, are calculated based on the last salary times the number of years of service; the Company is liable to pay to the National Social Security Fund the difference between the subscriptions paid at the rate of 8% and the total indemnity due to employees.

Provisions for risks and charges

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

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

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

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

Taxes

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

(i) Current Tax

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Taxes (continued)

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

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

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

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

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

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

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

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

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

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

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

(i) Interest and similar income and expense
The effective interest rate (EIR)
Interest income and expense are recognized in the income statement applying the EIR method for all financial instruments measured at amortised cost, financial instruments designated at fair value through profit or loss and interest-bearing financial assets measured at fair value through other comprehensive income.

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

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

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Revenue recognition (continued)

(i) Interest and similar income and expense (continued)

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

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

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

Interest expense presented in the consolidated income statement includes:

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

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

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

Fee Income Earned from Services That Are Provided over a Certain Period of Time
Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

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

Fee Income Providing Transaction Services
Fee arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fee or components of fee that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.6 Significant Accounting Judgments and Estimates

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

Judgments

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

Going Concern

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

Impairment of Goodwill

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

Business Model

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

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

Contractual Cash Flows of Financial Assets

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

Deferred Tax Assets

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

Hedge Accounting

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.6 Significant Accounting Judgments and Estimates (continued)

Judgments (continued)

Hedge Accounting (continued)

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

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

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

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

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

Fair Value of Financial Instruments
Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, estimation is required to establish fair values. The judgments and estimates include considerations of liquidity and model inputs such as credit risk (both own and counterparty) funding value adjustments, correlation and volatility.

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.6 Significant Accounting Judgments and Estimates (continued)

Estimates and Assumptions (continued)

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

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

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

3 SEGMENT REPORTING

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

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

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

3 SEGMENT REPORTING (continued)

A) Business Segments

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

Corporate and Commercial Banking Provides diverse products and services to the corporate and commercial customers including loans, deposits, trade finance, as well as all regular Corporate and Commercial Banking activities.

Retail and Personal Banking Provides individual customers' deposits and consumer loans, overdrafts, credit cards, and funds transfer facilities, as well as all regular Retail and Private Banking activities.

Treasury and Capital Markets Provides Treasury services including transactions in money and capital markets for the Group's customers, manages investment and trading transactions (locally and internationally), and manages liquidity, foreign currency and market risks. This segment also offers Investment Banking and brokerage services, and manages the Group's own portfolio of stocks, bonds, and other financial instruments.

Group Functions and Head Office Consists of capital and strategic investments, exceptional profits and losses, as well as operating results of subsidiaries which offer non-banking services.

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

i) Net operating income information

	2024				
	Corporate and commercial banking LBP000	*Retail and personal banking LBP000*	*Treasury and capital markets LBP000*	*Head office LBP000*	*Total LBP000*
Net interest income	130,202,528	1,433,710	(171,502,941)	(6,468,447)	(46,335,150)
Non-interest income					
Net fee and commission expense	740,099,225	1,659,526	-	(455,939)	741,302,812
Financial operations	-	-	1,305,902,553	35,510,029	1,341,412,582
Other operating income	-	-	-	172,734,246	172,734,246
Total non-interest expense	740,099,225	1,659,526	1,305,902,553	207,788,336	2,255,449,640
Total operating income	870,301,753	3,093,236	1,134,399,612	201,319,889	2,209,114,490
Net impairment loss on financial assets	(187,363,172)	-	(1,372,970,721)	-	(1,560,333,893)
Net operating income	682,938,581	3,093,236	(238,571,109)	201,319,889	648,780,597

3 SEGMENT REPORTING (continued)

A) *Business Segments (continued)*

i) Net operating income information (continued)

	2023				
	Corporate and commercial banking LBP000	*Retail and personal banking LBP000*	*Treasury and capital markets LBP000*	*Head office LBP000*	*Total LBP000*
Net interest income	111,324,157	(5,239,129)	24,877,886	(35,779,778)	95,183,136
Non-interest income					
Net fee and commission expense	253,754,473	269,396	-	(170,577)	253,853,292
Financial operations	-	-	406,102,238	(7,087)	406,095,151
Other operating income	-	-	-	41,790,672	41,790,672
Total non-interest expense	253,754,473	269,396	406,102,238	41,613,008	701,739,115
Total operating income	365,078,630	(4,969,733)	430,980,124	5,833,230	796,922,251
Net impairment loss on financial assets	(45,181,084)	-	(388,221,965)	-	(433,403,049)
Net operating income	319,897,546	(4,969,733)	42,758,159	5,833,230	363,519,202

ii) Financial Position Information

	2024				
	Corporate and Commercial Banking LBP 000	*Retail and Personal Banking LBP 000*	*Treasury and Capital Markets LBP 000*	*Group Functions and Head Office LBP 000*	*Total LBP 000*
Total assets	2,320,463,349	705,201,189	149,257,125,649	4,328,276,428	156,611,066,615
Total liabilities	21,328,074,526	93,968,882,599	12,923,823,627	24,835,080,323	153,055,861,075

	2023				
	Corporate and Commercial Banking LBP 000	*Retail and Personal Banking LBP 000*	*Treasury and Capital Markets LBP 000*	*Group Functions and Head Office LBP 000*	*Total LBP 000*
Total assets	406,213,899	29,935,076	26,529,373,049	1,715,902,294	28,681,424,318
Total liabilities	4,034,691,648	16,316,841,581	2,732,982,895	3,536,931,266	26,621,447,390

Interest and similar income from exposure to the Central Bank of Lebanon and Lebanese sovereign amounted to LBP. 427,684 million for the year 2024 (2023: LBP.167,635 million) arising from time deposits with the Central Bank of Lebanon and financial instruments held by the Group. The breakdown of interest and similar income from exposure to the Central Bank of Lebanon and Lebanese sovereign is as follows:

	2024 LBP 000	*2023 LBP 000*
Interest and similar income		
Central Bank of Lebanon (Net)	**460,752,750**	171,181,378
Lebanese sovereign	**3,813,409**	6,288,833
Related tax on interest	**(36,881,702)**	(9,835,046)
	427,684,457	167,635,165

4 CASH AND DEPOSITS WITH CENTRAL BANKS

	2024	*2023*
	LBP 000	*LBP 000*
Cash on hand	739,920,487	178,385,024
Current accounts with Central Bank of Lebanon (Of which compulsory reserves LBP. 60.94 billion in 2024 and LBP.39,44billion in 2023)	93,755,609,569	14,596,919,589
Term placements with Central Bank of Lebanon	40,712,192,000	7,737,752,000
Accrued interest receivable	64,558,570	40,819,261
	135,272,280,626	22,553,875,874
Provision for expected credit losses (Note 33)	(2,158,555,387)	(340,725,027)
	133,113,725,239	22,213,150,847

Compulsory deposits with central banks are not available for use in the Bank'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.

Term placements with the Central Bank of Lebanon include an amount of LBP.19,039 billion as at 31 December 2024 (LBP.3,330 billion as at 31 December 2023) 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 14% as per BDL amendment on circular No.86 dated 8 June 2022 (same as at 31 December 2023) of customers' deposits in foreign currencies, certificates of deposit and borrowings obtained from non-resident financial institutions.

5 DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

	2024	*2023*
	LBP 000	*LBP 000*
Checks in course of collection	35,033,329	104,283,081
Current accounts	176,404,688	74,898,906
Current accounts - related parties	82,687,824	29,662,307
Term account	2,329,647,599	307,733,880
Term account - related parties	331,150,000	-
Margin accounts	1,066,061,811	192,067,058
Accrued interest receivable	1,774,600	340,370
	4,022,759,851	708,985,602
Provision for expected credit losses (Note 33)	(8,905,924)	(2,841,140)
	4,013,853,927	706,144,462

Deposits with banks and financial institutions include deposits in the amount of LBP.17.5 billion subject to right of set-off by the related correspondents against trade finance and other facilities at 31 December 2024 (LBP.4.5 billion against trade finance and other facilities as at 31 December 2023).

5 DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS (continued)

Margin accounts and pledged deposits are blocked against trade finance and treasury transactions and banking facilities (refer to Note 41).

Deposits with banks and financial institutions (excluding accrued interest receivable) are distributed between resident and non-resident as follows:

	2024	*2023*
	LBP000	*LBP000*
Resident	160,520,562	123,896,273
Non-resident	3,860,464,689	584,748,959
	4,020,985,251	708,645,232

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2024			*31 December 2023*		
	LBP Base accounts	*Foreign currencies Base accounts*	*Total*	*LBP Base accounts*	*Foreign currencies Base accounts*	*Total*
	LBP000	*LBP000*	*LBP000*	*LBP000*	*LBP000*	*LBP000*
Quoted equity securities	25,699,925	413,342,361	439,042,286	2,324,250	78,075,006	80,399,256
Lebanese treasury bills	214,453	-	214,453	235,218	-	235,218
Lebanese Government bonds	-	1,221,004	1,221,004	-	96,300	96,300
Corporate bonds	-	-	-	-	1,064,300	1,064,300
Accrued interest receivable	6,224	-	6,224	6,361	-	6,361
	25,920,602	414,563,365	440,483,967	2,565,829	79,235,606	81,801,435

The positive change in fair value of financial assets at fair value through profit or loss in the amount of LBP.20 billion (LBP.22 billion in 2023) is recorded under "Net interest and other gains on financial assets at fair value through profit or loss" (Note 30) in the consolidated statement of comprehensive income.

7 RIGHT-OF-USE OF ASSETS/LEASE LIABILITY

	Right of use	*Lease liability*
	LBP000	*LBP000*
Balance as at 1 January 2023	621,936	633,256
Depreciation expense	(1,917,891)	-
Interest expense	-	395,664
Foreign exchange	6,437,326	5,246,063
Settlements	(3,772,350)	(2,035,953)
Balance as at 31 December 2023	1,369,021	4,239,030
Depreciation expense	(8,416,379)	-
Interest expense	-	1,311,550
Foreign exchange	7,932,720	18,688,543
Settlements	-	(12,631,732)
Balance as at 31 December 2024	885,362	11,607,391

8 LOANS AND ADVANCES TO CUSTOMERS AND RELATED PARTIES

	31 December 2024			*31 December 2023*		
	Carrying amount LBP000	*Provision for expected credit losses LBP000*	*Net carrying amount LBP000*	*Carrying Amount LBP000*	*Provision for expected credit losses LBP000*	*Net carrying Amount LBP000*
Performing retail customers – Stages 1 & 2						
Housing loans	1,758,764	(51,089)	1,707,675	3,547,500	(32,291)	3,515,209
Personal loans	303,128,466	(14,963,663)	288,164,803	108,946,892	(774,458)	108,172,434
Overdrafts	348,348,410	(17,505,618)	330,842,792	61,313,385	(2,051,018)	59,262,367
Other	11,860,221	(453,118)	11,407,103	9,067,123	(1,725,980)	7,341,143
Performing corporate customers – Stages 1 & 2						
Large enterprises	455,781,656	(26,890,207)	428,891,449	119,196,012	(2,966,155)	116,229,857
Small and medium enterprises	252,214,043	(18,002,538)	234,211,505	81,652,422	(2,077,361)	79,575,061
Non-performing loans Stage 3						
Substandard	1,180,236,502	(879,615,504)	300,620,998	212,453,718	(56,532,990)	155,920,728
Bad and doubtful	4,869,972,610	(3,447,803,940)	1,422,168,670	880,005,846	(536,367,982)	343,637,864
Unearned interest	-	-	-	(3,879,522)	-	(3,879,522)
Accrued interest receivable	7,617,523	-	7,617,523	870,550	-	870,550
	7,430,918,195	(4,405,285,677)	3,025,632,518	1,473,173,926	(602,528,235)	870,645,691

8 LOANS AND ADVANCES TO CUSTOMERS AND RELATED PARTIES (continued)

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

	2024				2023			
	Stage 1 12 month ECL LBP000	*Stage 2 Lifetime ECL LBP000*	*Stage 3 Lifetime ECL LBP000*	*Total LBP000*	*Stage 1 12 month ECL LBP000*	*Stage 2 Lifetime ECL LBP000*	*Stage 3 Lifetime ECL LBP000*	*Total LBP000*
Excellent and strong (A+)	3,739,952	-	-	3,739,952	62,358	-	-	62,358
Good and satisfactory (A)	60,323,117	-	-	60,323,117	5,874,196	-	-	5,874,196
Adequate (A-)	13,803,154	-	-	13,803,154	2,167,039	-	-	2,167,039
Marginal and vulnerable (B&B-)	-	-	-	-	-	1,523,670	-	1,523,670
Substandard and doubtful (C, D&E)	-	-	4,327,419,454	4,327,419,454	-	-	592,900,972	592,900,972
Total gross carrying amount	77,866,223	-	4,327,419,454	4,405,285,677	8,103,593	1,523,670	592,900,972	602,528,235

The movement of the provision for expected credit loss for the credit impaired loans and advances during 2024 and 2023, is as follows:

	2024				2023			
	Stage 1 12 month ECL LBP000	*Stage 2 Lifetime ECL LBP000*	*Stage 3 Lifetime ECL LBP000*	*Total LBP000*	*Stage 1 12 month ECL LBP000*	*Stage 2 Lifetime ECL LBP000*	*Stage 3 Lifetime ECL LBP000*	*Total LBP000*
Balance at 1 January	8,103,593	1,523,670	592,900,972	602,528,235	4,288,965	7,442,859	48,661,037	60,392,861
Transfer from/to Stage 2	-	-	-	-	17,114,693	(17,114,693)	-	-
Movement due to changes in balance and credit risk within the same stage	31,962,879	(9,017,848)	854,623,720	877,568,751	(36,958,831)	(41,789,691)	(90,431,888)	(169,180,410)
New financial assets originated or purchased	-	-	-	-	-	-	195,977,397	195,977,397
Difference of exchange	37,799,751	7,494,178	2,879,894,762	2,925,188,691	23,658,766	52,985,195	438,694,426	515,338,387
Balance at 31 December	77,866,223	-	4,327,419,454	4,405,285,677	8,103,593	1,523,670	592,900,972	602,528,235

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

	2024				2023			
	Stage 1 12 month ECL LBP000	*Stage 2 Lifetime ECL LBP000*	*Stage 3 Lifetime ECL LBP000*	*Total LBP000*	*Stage 1 12 month ECL LBP000*	*Stage 2 Lifetime ECL LBP000*	*Stage 3 Lifetime ECL LBP000*	*Total LBP000*
Balance at 1 January	343,995,602	36,718,760	1,092,459,564	1,473,173,926	361,333,726	46,116,229	89,091,879	496,541,834
Changes in gross carrying amount:								
Transfer from/to Stage 2	(106,830,415)	(202,388,146)	309,218,561	-	176,276,981	(357,690,462)	181,413,481	-
Financial assets that have been derecognised	-	-	-	-	(1,233,888,215)	-	-	(1,233,888,215)
New financial assets originated or purchased	(427,609,690)	(16,086,186)	(640,313,314)	(1,084,009,190)	-	27,188,293	35,426,516	62,614,809
Difference of exchange	1,571,153,704	181,755,572	5,288,844,183	7,041,753,459	1,040,273,110	321,104,700	786,527,688	2,147,905,498
Balance at 31 December	1,380,709,201	-	6,050,208,994	7,430,918,195	343,995,602	36,718,760	1,092,459,564	1,473,173,926

Loans to related parties include an amount of LBP.1,525 million representing sale of 12,990 BSEC shares (2023: same).

9 INVESTMENT SECURITIES

	31 December 2024			*31 December 2023*		
	LBP	*c/v of foreign currency*	*Total*	*LBP*	*c/v of foreign currency*	*Total*
	LBP000	*LBP000*	*LBP000*	*LBP000*	*LBP000*	*LBP000*
Financial assets at amortised cost (A)	95,948,364	17,443,601,579	17,539,549,943	132,082,515	3,454,720,266	3,586,802,781
Accrued interest receivable	2,812,472	19,080,750	21,893,222	3,383,683	10,457,076	13,840,759
Provision for expected credit losses	-	(1,522,395)	(1,522,395)	-	(255,150)	(255,150)
Provision for expected credit losses on Lebanese Government Bonds recorded in LBP	-	(5,296,065,257)	(5,296,065,257)	-	(790,737,176)	(790,737,176)
Provision for expected credit losses on Certificates of deposit denominated in foreign currency recorded in LBP	-	(194,717,754)	(194,717,754)	-	(35,678,293)	(35,678,293)
	98,760,836	11,970,376,923	12,069,137,759	135,466,198	2,638,506,723	2,773,972,921
Financial assets at fair value through other comprehensive income (B)	615,120	560,319,308	560,934,428	615,120	212,902,225	213,517,345
	615,120	560,319,308	560,934,428	615,120	212,902,225	213,517,345
	99,375,956	12,530,696,231	12,630,072,187	136,081,318	2,851,408,948	2,987,490,266

9 INVESTMENT SECURITIES (continued)

A- Financial assets at amortised cost:

	31 December 2024							
	LBP Base Accounts				*C/V of foreign currency Base Accounts*			
	Amortized cost LBP000	*Provision for expected credit losses LBP000*	*Net carrying amount LBP000*	*Accrued interest receivable LBP000*	*Amortized cost LBP000*	*Provision for expected credit losses LBP000*	*Net carrying amount LBP000*	*Accrued Interest Receivable LBP000*
Lebanese treasury bills	41,888,387	-	41,888,387	977,767	-	-	-	-
Lebanese Government bonds	-	-	-	-	7,060,524,940	(5,296,065,257)	1,764,459,683	-
Provision for expected credit losses on Lebanese Government Bonds recorded in LBP	-	-	-	-	-	-	-	-
Certificates of deposit issued by the Central Bank of Lebanon	54,059,977	-	54,059,977	1,834,705	10,302,526,639	(194,717,754)	10,107,808,885	19,080,750
Provision for expected credit losses on certificates of deposit denominated in foreign currency recorded in LBP	-	-	-	-	-	-	-	-
Corporate bonds	-	-	-	-	80,550,000	(1,522,395)	79,027,605	-
	95,948,364	-	95,948,364	2,812,472	17,443,601,579	(5,492,305,406)	11,951,296,173	19,080,750

	31 December 2023							
	LBP Base Accounts				*C/V of foreign currency Base Accounts*			
	Amortized cost LBP000	*Provision for expected credit losses LBP000*	*Net carrying amount LBP000*	*Accrued interest receivable LBP000*	*Amortized cost LBP000*	*Provision for expected credit losses LBP000*	*Net carrying amount LBP000*	*Accrued Interest Receivable LBP000*
Lebanese treasury bills	77,266,886	-	77,266,886	1,575,076	-	-	-	-
Lebanese Government bonds	-	-	-	-	1,183,328,203	(790,737,176)	392,591,027	-
Provision for expected credit losses on Lebanese Government Bonds recorded in LBP	-	-	-	-	-	-	-	-
Certificates of deposit issued by the Central Bank of Lebanon	54,815,629	-	54,815,629	1,808,607	2,257,892,063	(35,678,293)	2,222,213,770	10,457,076
Provision for expected credit losses on certificates of deposit denominated in foreign currency recorded in LBP	-	-	-	-	-	-	-	-
Corporate bonds	-	-	-	-	13,500,000	(255,150)	13,244,850	-
	132,082,515	-	132,082,515	3,383,683	3,454,720,266	(826,670,619)	2,628,049,647	10,457,076

9 INVESTMENT SECURITIES (continued)

A- Financial assets at amortised cost (continued)

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

	31 December 2024			
	LBP Base Accounts			
	Nominal value LBP000	*Amortized cost LBP000*	*Provision for expected credit losses LBP000*	*Net Carrying amount LBP000*
Lebanese treasury bills:				
Up to one year	15,398,500	15,473,167	-	15,473,167
1 to 3 years	25,128,000	25,494,770	-	25,494,770
3 to 5 years	920,450	920,450	-	920,450
	41,446,950	41,888,387	-	41,888,387
Certificates of deposit issued by the Central Bank of Lebanon:				
Up to one year				
1 to 3 years	4,000,000	4,032,050	-	4,032,050
3 to 5 years	49,000,000	50,027,927	-	50,027,927
	-	-	-	-
	53,000,000	54,059,977	-	54,059,977
	94,446,950	95,948,364	-	95,948,364

	31 December 2023			
	LBP Base Accounts			
	Nominal value LBP000	*Amortized cost LBP000*	*Provision for expected credit losses LBP000*	*Net Carrying amount LBP000*
Lebanese treasury bills:				
Up to one year	34,910,200	35,047,512	-	35,047,512
1 to 3 years	34,283,500	34,934,773	-	34,934,773
3 to 5 years	7,163,450	7,284,601	-	7,284,601
	76,357,150	77,266,886	-	77,266,886
Certificates of deposit issued by the Central Bank of Lebanon:				
Up to one year	-	-	-	-
1 to 3 years	53,000,000	54,815,629	-	54,815,629
3 to 5 years	-	-	-	-
	53,000,000	54,815,629	-	54,815,629
	129,357,150	132,082,515	-	132,082,515

9 INVESTMENT SECURITIES (continued)

A- Financial assets at amortised cost (continued)

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

	31 December 2024			
	Foreign currencies Base Accounts			
Contractual maturity	*Nominal value LBP000*	*Amortized cost LBP000*	*Provision for expected credit losses LBP000*	*Net carrying amount LBP000*
Lebanese Government bonds:				
Up to 1 year	4,333,769,000	4,147,450,606	(3,167,161,532)	980,289,074
1 to 3 years	-	-	-	-
3 to 5 years	3,198,730,000	2,798,460,612	(2,045,142,876)	753,317,736
5 to 10 years	125,300,000	114,613,722	(83,760,849)	30,852,873
	7,657,799,000	7,060,524,940	(5,296,065,257)	1,764,459,683
Certificates of deposit issued by the Central Bank of Lebanon:				
Up to 1 year	6,945,200,000	6,948,979,002	(131,335,703)	6,817,643,299
1 to 3 years	2,004,800,000	2,007,705,422	(37,945,633)	1,969,759,789
5 to 10 years	447,500,000	450,842,215	(8,520,918)	442,321,297
More than 10 years	895,000,000	895,000,000	(16,915,500)	878,084,500
	10,292,500,000	10,302,526,639	(194,717,754)	10,107,808,885
Corporate bonds:				
Up to 1 year	80,550,000	80,550,000	(1,522,395)	79,027,605
3 to 5 years	-	-	-	-
	80,550,000	80,550,000	(1,522,395)	79,027,605
	18,030,849,000	17,443,601,579	(5,492,305,406)	11,951,296,173

9 INVESTMENT SECURITIES (continued)

A- Financial assets at amortised cost (continued)

	31 December 2023			
	Foreign currencies Base Accounts			
Contractual maturity	*Nominal value LBP000*	*Amortized cost LBP000*	*Provision for expected credit losses LBP000*	*Net carrying amount LBP000*
Lebanese Government bonds:				
Up to 1 year	490,830,000	460,814,727	(307,930,915)	152,883,812
1 to 3 years	235,500,000	234,288,726	(156,559,106)	77,729,620
3 to 5 years	-	-	-	-
5 to 10 years	557,100,000	488,224,750	(326,247,155)	161,977,595
	1,283,430,000	1,183,328,203	(790,737,176)	392,591,027
Certificates of deposit issued by the Central Bank of Lebanon:				
Up to 1 year	528,000,000	529,369,985	(8,364,886)	521,005,099
1 to 3 years	1,164,000,000	1,166,199,618	(18,427,815)	1,147,771,803
3 to 5 years	336,000,000	336,657,980	(5,319,733)	331,338,247
5 to 10 years	225,000,000	225,664,480	(3,565,859)	222,098,621
	2,253,000,000	2,257,892,063	(35,678,293)	2,222,213,770
Corporate bonds:				
Up to 1 year	-	-	-	-
3 to 5 years	13,500,000	13,500,000	(255,150)	13,244,850
	13,500,000	13,500,000	(255,150)	13,244,850
	3,549,930,000	3,454,720,266	(826,670,619)	2,628,049,647

9 INVESTMENT SECURITIES (continued)

A- Financial assets at amortised cost (continued)

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

	2024				
	Lebanese Treasury bills LBP000	*Certificates of deposit issued by the Central Bank of Lebanon LBP000*	*Corporate bonds LBP000*	*Lebanese Government Bonds LBP000*	*Total LBP000*
Balance at 1 January	77,266,886	54,815,629	-	-	132,082,515
Redemption	(34,910,200)	-	-	-	(34,910,200)
Net variation in premium	(468,299)	(755,652)	-	-	(1,223,951)
Balance at 31 December	41,888,387	54,059,977	-	-	95,948,364

	2023				
	Lebanese Treasury bills LBP000	*Certificates of deposit issued by the Central Bank of Lebanon LBP000*	*Corporate bonds LBP000*	*Lebanese Government Bonds LBP000*	*Total LBP000*
Balance at 1 January	81,714,432	65,595,880	-	-	147,310,312
Redemption	(3,841,350)	(10,000,000)	-	-	(13,841,350)
Net variation in premium	(606,196)	(780,251)	-	-	(1,386,447)
Balance at 31 December	77,266,886	54,815,629	-	-	132,082,515

9 INVESTMENT SECURITIES (continued)

A- Financial assets at amortised cost (continued)

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

	2024			
	Lebanese Government bonds LBP000	*Certificates of deposit issued by the Central Bank of Lebanon LBP000*	*Corporate Bonds LBP000*	*Total LBP000*
Balance at 1 January	392,591,026	2,222,213,771	13,244,850	2,628,049,647
Addition	-	-	-	-
Redemption	-	(3,150,400,000)	-	(3,150,400,000)
Net variation in premium	-	(19,162,671)	-	(19,162,671)
Difference of exchange	1,949,868,763	11,036,995,060	65,782,755	13,052,646,578
Provision for expected credit losses	(578,000,106)	18,162,725	-	(559,837,381)
Balance at 31 December	1,764,459,683	10,107,808,885	79,027,605	11,951,296,173

	2023			
	Lebanese Government bonds LBP000	*Certificates of deposit issued by the Central Bank of Lebanon LBP000*	*Corporate Bonds LBP000*	*Total LBP000*
Balance at 1 January	57,545,398	133,030,825	1,329,057	191,905,280
Addition	-	1,500,000,000	-	1,500,000,000
Redemption	-	(600,000,000)	-	(600,000,000)
Net variation in premium	-	(1,476,028)	-	(1,476,028)
Difference of exchange	515,045,629	1,190,658,973	11,895,396	1,717,599,998
Provision for expected credit losses	(180,000,000)	-	20,397	(179,979,603)
Balance at 31 December	392,591,027	2,222,213,770	13,244,850	2,628,049,647

9 INVESTMENT SECURITIES (continued)

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

	31 December 2024			
	LBP Base Accounts		C/V of F/Cv Base Accounts	
	Cost LBP000	Fair value LBP000	Cost LBP000	Fair value LBP000
Unquoted equity securities	615,120	615,120	1,050,466,417	536,825,558
Quoted equity securities	-	-	469,875,000	23,493,750
	615,120	615,120	1,520,341,417	560,319,308

	31 December 2023			
	LBP Base Accounts		C/V of F/Cv Base Accounts	
	Cost LBP000	Fair value LBP000	Cost LBP000	Fair value LBP000
Unquoted equity securities	615,120	615,120	176,070,895	208,964,725
Quoted equity securities	-	-	78,750,000	3,937,500
	615,120	615,120	254,820,895	212,902,225

During 2023, the Group disposed of its investment in "La Banque Outarde LBO S.A." amounting to Eur 534,000 for an amount of Eur 533,447 resulting in a loss net of swift expense to LBP.7 million.

The movement of financial assets at fair value through other comprehensive income, denominated in foreign currencies, is summarized as follows:

	2024		
	Unquoted equity securities LBP000	Quoted equity securities LBP000	Total LBP000
Balance at 1 January	208,964,725	3,937,500	212,902,225
Redemption	-	-	-
Effect of exchange rates changes	1,037,768,211	19,556,250	1,057,324,461
Change in fair value of financial assets at fair value through other comprehensive income	(709,907,378)	-	(709,907,378)
Balance at 31 December	536,825,558	23,493,750	560,319,308

	2023		
	Unquoted equity securities LBP000	Quoted equity securities LBP000	Total LBP000
Balance at 1 January	18,550,487	395,719	18,946,206
Redemption	(8,521,843)	-	(8,521,843)
Effect of exchange rates changes	166,042,251	3,541,781	169,584,032
Change in fair value of financial assets at fair value through other comprehensive income	32,893,830	-	32,893,830
Balance at 31 December	208,964,725	3,937,500	212,902,225

10 ASSETS UNDER LEVERAGE ARRANGEMENTS WITH THE CENTRAL BANK OF LEBANON

	2024	*2023*
	LBP000	*LBP000*
Assets under leverage arrangements:		
Term placements with the Central Bank of Lebanon	-	335,608,000
Less/- Leverage arrangements	-	(335,608,000)
	-	-

Assets under leverage arrangement consisting of term placements in LBP with the Central Bank of Lebanon (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:

	2024	*2023*
	LBP000	*LBP000*
Term placements with the Central Bank of Lebanon	-	261,082,630
Lebanese Government bonds at amortized cost	33,904,450	60,781,040
	33,904,450	321,863,670

During 2019, the Bank signed with the 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 the Central Bank of Lebanon" and term borrowing from Central Bank of Lebanon" on a net basis for the years ended 31 December 2023.

During 2024, the Central Bank of Lebanon requested banks in Lebanon to offset these accounts.

11 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 are to be liquidated within 2 years from acquisition. In case of default of liquidation, a regulatory reserve is to be appropriated from the yearly net profits. This regulatory reserve is reflected under equity. In 2024, the bank released an amount of LBP.1,610 million to free reserves. An amount of LBP.130 million was appropriated from 2023 result according to the resolution of general assembly held on 10 September 2024.

The movement of assets acquired in satisfaction of loans during 2024 and 2023 is detailed as follows:

	LBP000
Balance at 31 December 2023, same as 1 January	2,585,121
Revaluation as per Law 330 and decision 715/1	**401,426,829**
Disposals	(373,662,500)
Balance at 31 December 2024	30,349,450

In 2024, the Group disposed of assets acquired in satisfaction of loans at cost for an amount of LBP.374 billion, thus realizing a positive difference between expert revalued value and cost, subject to income tax on sale of assets acquired in satisfaction of loans according to Ministry of Finance Decision 715/1 dated 1st of August 2025 for an amount of LBP.252 billion (net) recorded under "Other income (Net)" in the consolidated statement of comprehensive income) (Note 36).

12 PROPERTY, PLANT AND EQUIPMENT

	Land *LBP000*	*Buildings* *LBP000*	*Furniture* *LBP000*	*Computer Equipment* *LBP000*	*Vehicles* *LBP000*	*Installations and leasehold improvement* *LBP000*	*Advances on capital expenditure* *LBP000*	*Total* *LBP000*
Gross amount								
Balance at 1 January 2023	15,141,331	17,582,805	3,365,987	8,767,785	535,249	12,143,088	48,291,057	105,827,302
Additions	-	-	1,575	982,853	-	507,060	3,909,803	5,401,291
Disposals	-	-	(11,550)	(7,022)	-	-	-	(18,572)
Difference of exchange	-	-	512,323	1,029,488	-	2,026,626	-	3,568,437
Revaluation as per Law 330	850,502,669	1,217,613,766	-	-	-	-	-	2,068,116,435
Balance at 31 December 2023 (Restated)	865,644,000	1,235,196,571	3,868,335	10,773,104	535,249	14,676,774	52,200,860	2,182,894,893
Revaluation	-	1,191,446,335	-	-	-	-	-	1,191,446,335
Additions	-	-	2,250,000	7,313,820	-	-	133,035,978	142,599,798
Disposals	-	(36,383,997)	-	-	-	-	-	(36,383,997)
Transfer	-	165,791,362	-	-	-	19,445,476	(185,236,838)	-
Difference of exchange	-	-	4,057,568	5,526,485	-	12,597,727	-	22,181,780
Balance at 31 December 2024	865,644,000	2,556,050,271	10,175,903	23,613,409	535,249	46,719,977	-	3,502,738,809
Accumulated depreciation								
Balance at 1 January 2023	-	4,484,550	2,416,633	6,734,992	464,901	9,432,326	-	23,533,402
Additions	-	686,797	160,177	575,044	51,938	792,133	-	2,266,089
Disposals	-	-	(11,548)	(7,019)	-	-	-	(18,567)
Difference of exchange	-	-	540,084	995,571	-	2,026,628	-	3,562,283
Revaluation as per Law 330	-	440,180,356	-	-	-	-	-	440,180,356
Balance at 31 December 2023 (Restated)	-	445,351,703	3,105,346	8,298,588	516,839	12,251,087	-	469,523,563
Additions	-	57,022,933	199,376	1,547,150	15,099	817,686	-	59,602,244
Disposals	-	(19,496,797)	-	-	-	-	-	(19,496,797)
Difference of exchange	-		4,057,569	5,511,666	-	12,597,728	-	22,166,963
Balance at 31 December 2024	-	482,877,839	7,362,291	15,357,404	531,938	25,666,501	-	531,795,973
Carrying amounts								
31 December 2024	865,644,000	2,073,172,432	2,813,612	8,256,005	3,311	21,053,476	-	2,970,942,836
31 December 2023	865,644,000	789,844,868	762,989	2,474,516	18,410	2,425,687	52,200,860	1,713,371,330

12 PROPERTY, PLANT AND EQUIPMENT (continued)

The Group revalued land and buildings during 2019 for an amount of LBP000.7,494,444 and LBP000.9,419,620 respectively, net of tax for a total of LBP000.16,914,064.

Additions to advances on capital expenditures during 2024 on plot 660 located in Medawar for an amount of LBP000.133,035,978, out of which registration, notary and other fees for an amount of LBP000.84,978,170. The purchase value of the said plot is USD.25,701,000 c/v LBP000.2,300,239,500. This property is subject to a mortgage of USD.14,000,000, cancelled on 29th of September 2025.

Additions to computer equipment in the amount of LBP000.7,313,820 represents the Group's purchases during 2024 of desktops and hardware.

During 2024, the Group disposed of premises for an amount of LBP000.17,900,000 with a net book value of LBP000.16,887,200, thus a profit of LBP000.1,012,800 included under "Other income, (net)" in the statement of comprehensive income (Note 36).

All Bank's premises are subject to seizure except plot 660 located in Medawar.

As at 31 December 2023, fair value of the Land and Building was determined using the market comparable method. The valuations have been performed by BDL expert. As at the date of revaluation, the properties' fair value is based on valuation carried out by BDL expert accredited by the local regulator (BDL), approved by BDL on February 13, 2025. The revaluation amounted to LBP000.2,949,646,888. The bank used revaluation amounted to LBP000.2,819,382,413.

13 INTANGIBLE ASSETS

	Purchased Software LBP000
Cost	
Balance at 1 January 2023	6,700,530
Additions	454,925
Disposals	-
Balance at 31 December 2023	7,155,455
Additions	**16,257,577**
Disposals	-
Balance at 31 December 2024	**23,413,032**
Amortization	
Balance at 1 January 2023	6,273,271
Amortization of the year	179,480
Disposals	-
Balance at 31 December 2023	6,452,751
Amortization of the year	**1,900,850**
Disposals	-
Balance at 31 December 2024	**8,353,601**
Carrying amounts	
31 December 2024	**15,059,431**
31 December 2023	702,704

During 2024, the Bank implemented a new software and upgraded the old one for an amount of LBP000.16,257,577.

14 OTHER ASSETS

	2024 LBP000	2023 LBP000
Exchange difference on fixed exchange position	-	231,654
Fair value of forward exchange contracts	-	3,442,673
Interbranch accounts	**37,507,891**	19,948,854
Stamps	**241,642**	244,759
Receivables from subsidiaries (a)	**184,938**	-
Prepayments	**59,552,228**	8,830,301
Receivables from the Central Bank of Lebanon (b)	**4,350,472**	1,515,075
Receivables from a financial institution – credit and operations	**83,414,300**	21,011,425
Receivables from the National Security Social Fund	**11,598,459**	6,781,624
Advances to employees	**4,990,290**	759,813
Receivables from doubtful client in Cyprus	**106,672,709**	19,010,708
Sundry accounts receivable	**68,285,865**	25,267,105
	376,798,794	107,043,991
Provision for expected credit losses (Note 33)	(6,737,096)	(2,880,550)
	370,061,698	104,163,441

Provision of LBP.3,857 million was set up during 2024 against receivables from the National Social Security Fund (LBP.1,619 million for the year 2023). Total provision as at 31 December 2024 amounts to LBP.6,737 million (LBP.2,881 million as at 31 December 2023).

(a) Receivables from two subsidiaries representing an outstanding amount and an amount paid on their behalf (2023: Receivable from one subsidiary representing an outstanding amount). The amount paid on behalf of one subsidiary is subject to annual interest rate of 6.50% amounting to LBP.185 million booked and recorded under interest income in the statement of comprehensive income (2023: Nil).

(b) Receivables from the Central Bank of Lebanon represents the aggregate amount due to the Bank as a result of the conversion by customers of restricted foreign currency deposits in accordance with BDL Circular 161 dated 16 December 2021 (2023: BDL Circular # 151 dated 21 April 2020 the platform rate of LBP.15,000 starting 1st February 2023 and LBP.8,000 during January 2023, and circular 161 dated 16 December 2021).

15 DEPOSITS AND BORROWINGS FROM BANKS AND FINANCIAL INSTITUTIONS

	2024 LBP000	2023 LBP000
Current deposits of banks and financial institutions	4,023,779,484	985,897,051
Current deposits - Related parties	23,354,177,790	3,125,369,775
Acceptance related to doubtful client	-	85,411,620
Money market deposits	1,271,500,000	535,000,000
Short term loans	478,166,940	-
Money market deposits - Related parties	1,689,664,375	368,696,267
Accrued interest payable	22,318,200	14,518,860
Accrued interest payable - Related parties	71,206,367	-
	30,910,813,156	5,114,893,573

16 CUSTOMERS AND RELATED PARTIES ACCOUNTS AT AMORTIZED COST

	2024 *LBP000*	*2023* *LBP000*
Deposits from customers		
Current and demand deposits	**107,522,612,872**	18,761,088,959
Current and demand deposits – related parties	**650,574,883**	108,509,781
Term deposits – related parties	-	722,214
Term deposits	**5,719,567,286**	1,279,067,324
Cash collateral	**186,422,000**	31,548,964
Margins and other accounts		
Margins for irrevocable import letters of credit	**2,194,988**	236,205
Margins on letters of guarantee	**186,148,744**	35,394,273
Other margins	**803,586,180**	135,957,034
Margins on trading transactions	**4,475,000**	750,000
Accrued interest payable	**4,927,188**	2,625,125
	115,080,509,141	20,355,899,879

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

	2024			*2023*		
	Total deposits LBP000	*% to total deposits %*	*% to total No. of customers %*	*Total deposits LBP000*	*% to total deposits %*	*% to total No. of Customers %*
Less than LBP.200 million	**63,937,813**	**0.06**	**19.11**	139,049,300	0.68	34.81
From LBP.200 million to LBP.1.5 billion	**1,018,777,172**	**0.89**	**20.86**	1,878,394,584	9.23	31.64
Over LBP.1.5 billion	**113,997,794,156**	**99.05**	**60.03**	18,338,455,995	90.09	33.55
	115,080,509,141	**100.00**	**100.00**	20,355,899,879	100.00	100.00

Term deposits as at 31 December 2024 include fiduciary deposits received from a non-resident related party bank in the amount of LBP.62.7 billion (2023: LBP.10,5 billion).

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		*Foreign currency Base Accounts*		
	Average balance of deposits LBP000	*Average interest rate %*	*Average balance of deposits LBP000*	*Average interest rate %*	*Cost of funds LBP000*
2024	**263,661,107**	**5.88**	**116,984,548,420**	**0.068**	**94,581,468**
2023	221,269,076	3.16	20,396,701,417	0.13	33,204,256
2022	255,337,623	2.20	2,254,502,410	0.26	11,515,572
2021	168,333,874	1.42	2,391,494,096	0.57	15,924,513

17 OTHER TERM BORROWINGS

	2024 LBP000	2023 LBP000
Other term borrowings	**237,951,641**	120,105,912

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 7 March 1996 and its amendments by which the Bank 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 during 2024 and 2023 is summarized as follows:

	2024 LBP000	2023 LBP000
Balance at 1 January	**120,105,912**	72,927,976
Settlements	**(158,192,555)**	(17,643,069)
Difference of exchange	**276,038,284**	64,821,005
Balance at 31 December	**237,951,641**	120,105,912

18 OTHER LIABILITIES

	2024 LBP000	2023 LBP000
Current tax liability (a)	**1,246,759**	31,607,897
Withheld tax on salaries	**2,654,052**	5,624,280
Withheld tax on interest	**822,315**	352,480
Withheld tax on non-resident	**3,071,921**	427,402
Withheld tax on dividend	**-**	5,036
Lumpsum tax on turn over	**928,678**	928,678
Due to the National Social Security Fund	**3,411,919**	1,569,626
Checks and incoming payment orders in course of settlement	**94,672,899**	24,611,157
Checks on BDL (b)	**1,167,803,704**	-
Fair value forward exchange contracts	**14,989,819**	-
Interbranch accounts in foreign currencies	**134,513,711**	-
Advances from customer	**17,900,090**	-
Clients prefunded accounts (c)	**45,964,735**	20,282,646
Sundry accounts payable (d)	**396,672,955**	57,874,999
Accrued expenses	**161,938,436**	37,108,823
Amount payable to related party	**29,345,896**	251,379
Deferred revenue	**6,287,786**	1,918,794
Other taxes payable (e)	**217,189,372**	39,164,918
Position (circulars 151 – 158 – 161)	**4,371,610**	713,426
	2,303,786,657	222,441,541

18 OTHER LIABILITIES (continued)

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

	2024	*2023*
	LBP000	*LBP000*
(Loss) profit before income tax	**(52,207,999)**	65,124,132
Add: Non-deductible expenses/losses	**1,079,662,197**	118,727,717
Less:		
- Non-taxable revenues/gains	**(972,197,492)**	-
- Non-taxable Difference of exchange (Net) as per Law 330	**(4,311,439,047)**	-
Taxable (loss) income for the year	**(4,256,182,341)**	183,851,849
Enacted tax rate in Lebanon	**17%**	17%
	-	31,255,000
Add: Income tax provision – Subsidiaries	**1,246,759**	352,897
Current tax liability	**1,246,759**	31,607,897

(b) Checks on BDL which represent checks issued on Central Bank of Lebanon according to BCCL memo no.1/2024 dated 04/06/2024.

(c) Clients prefunded accounts include amounts deposited by clients related to their debit cards, kept within the banks accounts.

(d) Sundry accounts payable include dormant customers' accounts in Banque Bemo Cyprus with aggregate balances of LBP.138,92 billion (USD.1,361,155 and EUR.182,950) transferred to Beirut during 2020 to be settled in transferrable funds when claimed by the related customers (2023: Limassol Branch LBP.23,68 billion (USD.1,375,076 and EUR.182,950)).

(e) Other taxes payable include the 7% taxes payable by the Group on credit interest accounts.
The Group's tax returns for fiscal years 2018 to 2024 remain subject to review and assessment by the tax authorities. Any additional liability depends on the outcome of these reviews.
The Social Security department reviewed the Group accounts till September 2021 inclusive.

19 PROVISIONS

Provisions consist of the following:

	2024	*2023*
	LBP000	*LBP000*
Provision for employees' end-of-service indemnities	**277,467,168**	75,339,919
Provision for contingencies	**447,500**	75,000
Provision for loss on foreign currency position	**54,000**	285,654
Provision for expected credit losses (Note 33)	**1,100,724,421**	184,640,704
	1,378,693,089	260,341,277

19 PROVISIONS (continued)

The movement of provision for employees' end-of-service indemnity was as follows:

	2024	*2023*
	LBP000	*LBP000*
Balance at 1 January	**75,339,919**	13,287,627
Additions (Note 34)	**37,868,045**	32,968,231
Settlements	**(4,085,758)**	(1,055,365)
Exchange difference	**168,344,962**	30,139,426
Balance at 31 December	277,467,168	75,339,919

20 SUBORDINATED BONDS

This caption consists of the following:

	2024	*2023*
	LBP000	*LBP000*
Subordinated bonds	**3,132,500,000**	525,000,000
Accrued interest	-	18,526,178
	3,132,500,000	543,526,178

The Exceptional General Assembly of shareholders approved in its meeting held on 5 September 2017 the issuance of subordinated bonds in the amount of USD.35 million divided into 3,500 bonds of USD.10,000 nominal value each. These bonds were issued on 7 December 2017, mature on 4 January 2024, and are subject to an annual interest rate of 7% payable on 30 June and 31 December of each year.

Interest expense on subordinated bonds for the year ended 31 December 2024 amounting to LBP.403 million is recorded under "Interest expense" in the consolidated statement of comprehensive income (LBP.33,94 billion for the year ended 31 December 2023) (Note 27).

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.

21 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 6 May 2019 whereby the Bank's capital increased by LBP.15,562,000,000 from LBP.62,248,000,000 to LBP.77,810,000,000 and thus 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 LBP.1,004 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 4th, 2019, the General Assembly held on 2 March 2020 approved the increase of the Bank's capital by 10% of Common Equity Tier One calculated as of 31 December 2018 through cash contributions in US Dollars in the amount of USD.14,370,000. During 2021, a second increase of USD.12,935,000 was booked, representing cash contribution, for a total of 20%.

The Bank's capital as at 31 December 2024 and 2023 is composed of 77,500,000 listed issued shares of LBP.1,004 each authorized and fully paid.

21 SHARE CAPITAL (continued)

The movement of treasury shares during 2024 and 2023 was as follows:

	2024		2023	
	Number of shares	*Amount LBP000*	*Number of shares*	*Amount LBP000*
Balance at 1 January	1,113,237	2,857,660	1,145,158	3,570,832
Additions	-	-	12,500	119,722
Sales – Distribution	-	-	(44,421)	(832,894)
Balance at 31 December	1,113,237	2,857,660	1,113,237	2,857,660

22 PREFERRED SHARES

On 19 December 2013, the Bank issued Non-cumulative Perpetual Preferred Shares in the amount of USD.35 million (LBP.52 billion) on the basis of 350,000 shares at USD.100. The Bank offered discounts to preferred shares subscribers for the aggregate amount of USD.80,960 (LBP.122 million). These preferred shares generate dividends at an annual rate of 7%.

23 SHAREHOLDERS' CASH CONTRIBUTION TO CAPITAL

The shareholders' cash contribution to capital for the amount of LBP.29 billion (USD.19,306,788) as at 31 December 2019 represents cash injections made by the shareholders in the form of shareholders' cash contribution to capital, each to the extent of his/her shareholding in the Bank's share capital. Effective 2011, the General Assembly of shareholders approved to call-off interest on the above cash contribution to capital.

During 2020, the Bank followed the requirements of the Central Bank of Lebanon regarding the increase in common equity Tier I as at 31 December 2018 by 20% in foreign currencies by 31 December 2020 which was later extended to 28 February 2021. The Bank's Extraordinary General Assembly of shareholders held on 2 March 2020 called the first payment of cash contribution from shareholders in the amount of USD.14,370,000 (C/V LBP.21.67 billion) subject to a yearly interest rate 7% payable from unrestricted profits after securing the approval of the Central Bank of Lebanon.

On 30 November 2020, the Bank's Extraordinary General Assembly of shareholders called the second payment of cash contribution from shareholders in the amount of USD.12,935,000 (C/V LBP.19 billion) subject to a yearly interest rate of 3% payable from unrestricted profits after securing the approval of the Central Bank of Lebanon.

Cash contribution to capital amounted of LBP.70 billion as at 31 December 2024 (2023: same).

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

24 RESERVES

	2024 LBP000	*2023 LBP000*
Legal reserve (a)	14,856,799	14,470,249
Non-distributable reserve	61,086,283	61,086,283
Reserve for assets acquired in satisfaction of loans (Note 11)	80,727	1,690,360
Free reserves	12,330,578	10,590,676
	88,354,387	87,837,568
Revaluation Reserve (b)	2,985,587,486	1,644,850,143
	3,073,941,873	1,732,687,711

24 RESERVES (continued)

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

(b) In accordance with the requirements of the Ministry of Finance Law 330 dated 04 December 2024 and decision 715/1 dated 01 August 2025.

	2024	*2023*
	LBP000	*LBP000*
Balance at 1 January	**1,644,850,143**	16,914,064
Add:-/		
Revaluation	**1,592,873,163**	1,627,936,079
Less:-/		
Release related to assets in satisfaction of loans sold	**(252,135,820)**	-
Balance at 31 December	**2,985,587,486**	1,644,850,143

A revaluation surplus is recorded in other comprehensive income and credited to the revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. As per decision 715/1, the positive difference in value between the expert and cost is booked in a separate account, when the asset is sold this difference is subject to income tax.

25 CHANGE IN FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Movement of the change in fair value of financial assets at fair value through other comprehensive income during 2024 and 2023 was as follows:

	2024	*2023*
	LBP000	*LBP000*
Balance at 1 January	**186,847,161**	(286,317)
Net changes in fair values during the year	**(888,273,639)**	(41,918,670)
Difference of exchange	**1,233,320,426**	229,052,148
Balance at 31 December	**531,893,948**	186,847,161

26 INTEREST INCOME

	2024	*2023*
	LBP000	*LBP000*
Interest income from:		
Term deposits with central banks	**282,532,168**	130,977,947
Deposits with banks and financial institutions	**55,580,927**	8,407,745
Deposits with related party banks and financial institutions	**7,035,198**	4,903,417
Financial assets at amortized cost	**189,088,002**	46,492,264
Loans and advances to customers	**123,242,048**	86,801,632
Loans and advances to related parties	**1,202,570**	253,342
Interest realized on impaired loans and advances to customers	**87,833,888**	48,128,039
	746,514,801	325,964,386
Less: Withheld taxes	**(36,881,702)**	(9,835,046)
	709,633,099	316,129,340

27 INTEREST EXPENSE

	2024 LBP000	2023 LBP000
Interest expense on:		
Borrowing from Central Bank of Lebanon	**3,487,498**	1,690,278
Deposits and borrowings from banks and financial institutions	**598,795,188**	147,964,476
Deposits and borrowings from related party banks and financial institutions	**71,567,674**	7,985,703
Customers' accounts at amortized cost	**80,637,873**	29,086,888
Related parties' accounts at amortized cost	**4,394**	11,094
Subordinated bonds (Note 20)	**402,589**	33,942,601
Interest expense-lease liability	**1,073,033**	265,164
	755,968,249	220,946,204

28 FEE AND COMMISSION INCOME

	2024 LBP000	2023 LBP000
Commission on documentary credits	**26,850**	11,880
Commission on letters of guarantee	**22,627,563**	5,262,451
Service fees on customers' transactions *	**537,256,431**	208,189,586
Other	**207,629,483**	50,977,246
	767,540,327	264,441,163

(*) Service fees on customers' transactions for the year 2024 in the amount of LBP.537 billion (2023: 208 billion), represent fees earned on clients' transactions related to cash withdrawal (2023: BDL circular 161 and cash withdrawal), out of which an amount of LBP.169 billion for the year 2024 related to Bemo Saudi Fransi BBSF (related party) (2023: LBP.24,5 billion).

29 FEE AND COMMISSION EXPENSE

	2024 LBP000	2023 LBP000
Commission on transactions with banks	**(105,000)**	3,526,401
Commission on transactions with related party banks	**17,467,809**	3,028,273
Other	**8,874,706**	4,033,197
	26,237,515	10,587,871

30 NET INTEREST AND OTHER GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 LBP000	2023 LBP000
Interest received on debt securities	**18,933**	19,123
Unrealized gain, net (Note 6)	**20,333,587**	21,660,723
Realized gain (loss)	**1,324,418**	(46,480)
	21,676,938	21,633,366

31 PROFIT ON EXCHANGE, NET

	2024 LBP000	2023 LBP000
Change of official rate *	**4,099,640,917**	350,868,747
Partial settlement of shortage in Position **	**(3,139,565,218)**	(12,966,639)
Other customers operations, net	**240,180,209**	46,559,677
	1,200,255,908	384,461,785

(*) In 2024, the change of official rate from LBP.15,000 to LBP.89,500 from 1st February 2024 resulted in net gain on exchange amounted to LBP.4,100 billion (2023: the change of official rate from LBP.1,507.50 to LBP.15,000 from 1st February 2023 resulted in a gain on exchange amounted to LBP.351 billion).

(**) In order to partially settle the shortage in open position due to increase of provisions, the Bank purchased dollars with book losses amounted to LBP.3,140 billion during 2024 (2023: LBP.13 billion) and were recorded under profit on exchange, net.

32 OTHER OPERATING INCOME, (NET)

	2024 LBP000	2023 LBP000
Revenues and commissions from securitization operations	**32,423,323**	11,175,478
Others	**140,310,923**	30,615,194
	172,734,246	41,790,672

33 PROVISION FOR EXPECTED CREDIT LOSSES, NET

	Deposits with central banks LBP000	*Deposits with banks and financial institutions LBP000*	*Loans and advances to customers LBP000*	*Financial assets classified at amortized cost LBP000*	*Other assets LBP000*	*Indirect and unutilized facilities LBP000*	*Total LBP000*
Balance at 1 January 2023	23,690,365	283,618	60,392,861	64,992,447	1,177,642	159,000	150,695,933
Additions	105,000,000	1,500,668	229,756,542	180,000,000	1,702,908	107,842,423	625,802,541
Write-back	-	-	(189,325,290)	(20,401)	-	(3,053,801)	(192,399,492)
Write-offs	-	-	(13,634,265)	-	-	-	(13,634,265)
Transfers	-	-	-	-	-	71,963,570	71,963,570
Difference of exchange	212,034,662	1,056,854	515,338,387	581,698,573	-	7,729,512	1,317,857,988
Balance at 31 December 2023	340,725,027	2,841,140	602,528,235	826,670,619	2,880,550	184,640,704	1,960,286,275
Balance at 1 January 2024	340,725,027	2,841,140	602,528,235	826,670,619	2,880,550	184,640,704	1,960,286,275
Additions	125,562,725	1,304	973,401,551	559,837,380	3,856,546	8,770,716	1,671,430,222
Write-back	-	(7,986,796)	(94,134,307)	-	-	(8,975,226)	(111,096,329)
Write-offs	-	-	(463,727)	-	-	-	(463,727)
Transfers	-	-	-	-	-	-	-
Difference of exchange	1,692,267,635	14,050,276	2,923,953,925	4,105,797,407	-	916,288,227	9,652,357,470
Balance at 31 December 2024	2,158,555,387	8,905,924	4,405,285,677	5,492,305,406	6,737,096	1,100,724,421	13,172,513,911

34 STAFF COSTS

	2024 LBP000	2023 LBP000
Salaries and related charges	338,551,753	157,257,959
Social Security contributions	27,125,338	11,771,661
Provision for employees' end-of-service indemnities (net) (Note 19)	37,868,045	32,968,231
	403,545,136	201,997,851

35 ADMINISTRATIVE EXPENSES

	2024 LBP000	2023 LBP000
Travel and entertainment	2,779,018	487,895
Advertisement and publicity	10,388,543	2,123,070
Professional fees	148,812,189	24,098,863
Maintenance and repairs	66,117,622	11,272,678
Electricity and fuel	23,513,122	7,382,456
Telephone expenses	6,935,654	3,617,899
Printing and stationary	3,045,556	1,016,353
Rent and building services	17,135,014	2,215,438
Fees and taxes	11,725,555	5,751,250
Insurance	18,255,551	2,710,447
Subscriptions	75,606,079	15,739,523
Gifts and donations	437,450	(7,063)
Attendance fees	23,321,433	3,805,254
Other	36,444,464	10,415,750
	444,517,250	90,629,813

36 OTHER INCOME, (NET)

	2024 LBP000	2023 LBP000
Profit on disposal of fixed assets	1,012,800	22,495
Positive difference between expert revalued value and cost subject to income tax on sale of assets acquired in satisfaction of loans (Decision 715/1)	252,135,820	-
Other income	30,902,509	1,180,376
	284,051,129	1,202,871

37 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 31 December 2024 and 2023 represent positions held for customers' accounts and at their risk. The Group entered into such instruments to serve the needs of customers.

38 FIDUCIARY DEPOSITS

	2024 LBP000	2023 LBP000
Fiduciary deposits for wealth management	**4,156,735,040**	63,881,298

39 RELATED PARTY TRANSACTIONS

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

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

Balances and transactions with key management personnel and their close family members as at and for the year ended 31 December 2024 and 2023, are as follows:

	2024		2023	
	Outstanding balance LBP000	*Interest revenue (expense) LBP000*	*Outstanding balance LBP000*	*Interest revenue (expense) LBP000*
Key management personnel and their close family members				
Net loans and advances	**7,703,150**	**1,051,616**	2,273,933	170,258
Deposits	**651,246,164**	-	115,544,729	-
Other affiliates				
Deposits	**217,459,716**	-	16,126,316	-

The following is a summary of the nature of other transactions with related parties that are recorded in the income statement:

- During 2024, short-term benefits comprise of salaries, bonuses, attendance fees and other benefits amounted to LBP000.22,927,445 (2023: LBP000.6,607,339).

40 CASH AND CASH EQUIVALENTS

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

	2024 LBP000	2023 LBP000
Cash on hand	**739,920,487**	178,385,024
Current accounts with central banks (excluding compulsory reserve)	**93,698,131,267**	14,564,176,614
Term placements with Central Bank of Lebanon	**25,955,000,000**	-
Checks for collection and current accounts with banks and financial institutions	**295,900,441**	208,809,641
Term placements with banks and financial institutions	**375,717,599**	307,733,880
	121,064,669,794	15,259,105,159

41 COLLATERAL GIVEN

	31 December 2024		
	Pledged amount LBP000	*Nature of facility*	*Amount of facility LBP000*
Deposits with banks and financial Institutions	1,066,061,811	Forward contracts Acceptances less than one year	2,068,326,809

	31 December 2023		
	Pledged amount LBP000	*Nature of facility*	*Amount of facility LBP000*
Deposits with banks and financial Institutions	192,067,058	Forward contracts Acceptances less than one year	436,309,176

42 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

Valuation technique using significant unobservable inputs – Level 3
Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs).

Effects of Exchange Rates on the Fair Value Measurements:
The fair value disclosures for other assets and liabilities are first determined in their original currency, which is not the Lebanese Pound in the case of most of the assets and liabilities reported below. These are then translated to Lebanese Pounds at the official published exchange rate as discussed in Note 1.3. However, in light of the high deviation between the parallel market rate, the Sayafa rates and the official published exchange rates, Management estimates that the amounts reported in this note in LBP do not reflect a reasonable estimate of expected cash flows in Lebanese Pounds that would have to be generated from the realisation of such assets or the payment of such liabilities at the date of the financial statements and Management is unable to estimate the effects on the fair value measurement. This matter should be taken into consideration when interpreting the fair value disclosures in this note, especially those under Level 1 and Level 2.

42 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

42.1 Fair value of financial instruments carried at fair value

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

	2024			
	Level 1 *LBP000*	*Level 2* *LBP000*	*Level 3* *LBP000*	*Total* *LBP000*
FINANCIAL ASSETS				
Financial assets at fair value through profit or loss				
Lebanese sovereign				
Treasury bills	220,677	-	-	220,677
Eurobonds	-	-	1,221,004	1,221,004
Private sector and other securities				
Banks and financial institutions	25,699,925	-	-	25,699,925
Equity instruments	413,342,361	-	-	413,342,361
	439,262,963	-	1,221,004	440,483,967
Financial assets designated at fair value through other comprehensive income				
Private sector and other securities				
Equity instruments	560,934,428	-	-	560,934,428
	1,000,197,391	-	1,221,004	1,001,418,395

	2023			
	Level 1 *LBP000*	*Level 2* *LBP000*	*Level 3* *LBP000*	*Total* *LBP000*
FINANCIAL ASSETS				
Financial assets at fair value through profit or loss				
Lebanese sovereign				
Treasury bills	241,579	-	-	241,579
Eurobonds	-	-	96,300	96,300
Private sector and other securities				
Banks and financial institutions	2,324,250	-	-	2,324,250
Equity instruments	79,139,306	-	-	79,139,306
	81,705,135	-	96,300	81,801,435
Financial assets designated at fair value through other comprehensive income				
Private sector and other securities				
Equity instruments	213,517,345	-	-	213,517,345
	295,222,480	-	96,300	295,318,780

There were no transfers between levels during 2024 (2023: No transfers between levels).

Valuation techniques used for material classes of financial assets and liabilities categorized within level 2 and level 3:

Interest rate derivatives
Interest rate derivatives include interest rate swaps and interest rate options. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations by estimating future cash flows and discounting them with the appropriate yield curves incorporating funding costs relevant for the position. These contracts are generally Level 2 unless adjustments to yield curves or credit spreads are based on significant non-observable inputs, in which case, they are Level 3. The Group does not have interest rate derivatives classified as Level 3.

42 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

42.1 Fair value of financial instruments carried at fair value (continued)

Valuation techniques used for material classes of financial assets and liabilities categorized within level 2 and level 3: (continued)

Foreign exchange contracts
Foreign exchange contracts include open spot contracts, foreign exchange forward and swap contracts and over-the-counter foreign exchange options. These instruments are valued by either observable foreign exchange rates, observable or calculated forward points and option valuation models. With the exception of contracts where a directly observable rate is available which are disclosed as Level 1, the Group classifies foreign exchange contracts as Level 2 financial instruments when no unobservable inputs are used for their valuation or the unobservable inputs used are not significant to the measurement (as a whole). The Group does not have foreign exchange derivatives classified as Level 3.

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

Equity shares of non-listed entities comprise mainly the Group's strategic investments are generally classified at fair value through other comprehensive income and are not traded in active markets. These are investments in private companies, for which there is no or only limited sufficient recent information to determine fair value.

The Group determined that cost adjusted to reflect the investee's financial position and results since initial recognition represents the best estimate of fair value. Classification between level 2 and level 3 is based on the financial statements of the investee are recent and published or not. These instruments are fair valued using third-party information (NAV or financial statements of non-listed entities), without adjustment. Accordingly, quantitative information about significant unobservable inputs and sensitivity analysis cannot be developed by the Group in accordance with IFRS 13.93 (d).

Comparison of carrying and fair values for financial assets and liabilities not held at fair value

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

Financial assets and liabilities not concentrated in Lebanon
These are not significant to the Group's consolidated financial statements.

43 CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS

Credit-related commitments and contingent liabilities

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

	2024		
	Banks LBP000	*Customers LBP000*	*Total LBP000*
Guarantees and contingent liabilities			
Financial guarantees	34,274,765	621,334,072	655,608,837
Commitments			
Documentary credits	-	-	-
Loan commitments	-	-	-
Of which revocable	-	-	-
Of which irrevocable	-	-	-
	-	-	-

	2023		
	Banks LBP000	*Customers LBP000*	*Total LBP000*
Guarantees and contingent liabilities			
Financial guarantees	6,129,256	149,099,719	155,228,975
Commitments			
Documentary credits	-	-	-
Loan commitments	-	-	-
Of which revocable	-	-	-
Of which irrevocable	-	-	-
	-	-	-

Guarantees (including standby letters of credit)

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

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

Documentary credits

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

Loan commitments

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

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

43 CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS (continued)

Investment commitments

The Group invested in funds pursuant to the provisions of Decision no. 6116 dated 7 March 1996 of the Central Bank of Lebanon. In accordance with this resolution, the Group can benefit from facilities granted by the Central Bank of Lebanon to be invested in startup companies, incubators and accelerators whose objects are restricted to supporting the development, success and growth of startup companies in Lebanon or companies whose objects are restricted to investing venture capital in startup companies in Lebanon. These investments have resulted in future commitments on the Group of LBP000.54,989,521 as of 31 December 2024 (2023: LBP000.56,774,209).

Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business. The Group has an established protocol for dealing with such claims, many of which are beyond its control. At year-end, the Group had several unresolved legal claims in Lebanon and abroad, mainly those relating to the restrictive measures in place with respect to the withdrawal of funds and transfers abroad.

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

Other commitments and contingencies

Certain areas of the Lebanese tax legislation are subject to different interpretations in respect of the taxability of certain types of financial transactions and activities.

The Group's books are still subject to the review by the Department of Income Tax from 1 January 2018 to date. The National Social Security Fund (NSSF) reviewed the Group's books till September 2021 (inclusive). Management believes that adequate provisions were recorded against possible review results to the extent that they can be reliably estimated.

44 RISK MANAGEMENT

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

- Credit risk: the risk of default or deterioration in the ability of a borrower to repay a loan.
- Market risk: the risk of loss in balance sheet and off-balance sheet positions arising from movements in market prices. Movements in market prices include changes in interest rates (including credit spreads), exchange rates and equity prices.
- Liquidity risk: the risk that the Group cannot meet its financial obligations when they come due in a timely manner and at reasonable cost.
- Operational risk: the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.
- Other risks faced by the Group include concentration risk, reputation risk, litigation risk, compliance risk, political risk, business/strategic risk, and cybersecurity risk.

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

Board of Directors

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

44 RISK MANAGEMENT (continued)

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

Executive Committee
The mandate of the Executive Committee is to support the Board in the implementation of its strategy, to support the Group CEO in the day-to-day management of the Group, and to develop and implement business policies and issue guidance for the Group within the strategy approved by the Board. The Executive Committee is involved in reviewing and submitting to the Board the risk policies and risk appetite.

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

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

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

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

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

Information independently compiled from business lines and risk-taking units is examined and aggregated in order to identify and measure the risk profile. The results are presented on a regular basis to the Management and the Board.

45 CREDIT RISK

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

45 CREDIT RISK (continued)

45.1 Credit risk management

Credit risk appetite and limits are set at the Group level by the Board and are cascaded to entities. The Group manages and controls credit risk by setting concentration limits on counterparties, geographies and sectors. It also monitors on a regular basis the risk profile in relation to these limits.

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

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

The Group has also established an approval limit structure for granting and renewing credit facilities. Credit officers and credit committees are responsible for the approval of facilities up to their own assigned limits.

Once approved, facilities are disbursed when all the requirements set by the respective approval authority are met and documents intended as security are obtained and verified by the Credit Administration function.

Since October 2019 events, the challenging economic situation in Lebanon has been exerting significant pressure on the asset quality of the domestic loan portfolio. As a result, credit quality of the Lebanese loan portfolio has declined driven by a weakening in the borrowers' creditworthiness across various segment types. In order to address this challenging operating condition, the Group has implemented a series of remedial actions that included: i) risk deleveraging by reducing the loan portfolio, ii) increasing collection capacity across various business lines, iii) increasing specific and collective provision coverages, and iv) setting up an independent, centralised and specialised remedial function to proactively manage problematic borrowers.

45.2 Expected Credit Losses

45.2.1 Governance and oversight of expected credit losses

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

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

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

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

45 CREDIT RISK (continued)

45.2 Expected Credit Losses (continued)

45.2.1 Governance and oversight of expected credit losses (continued)

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

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

45.2.2 Definition of default and cure

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

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

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

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

In response to the COVID-19 global pandemic, governments and regulators around the world have introduced a number of support measures for both retail and non-retail customers under system-wide programs. In Lebanon, the Central Bank of Lebanon issued Intermediary Circular 567 dated 26 August 2020 (which was later extended till end of 2021 as per Intermediary Circular 594 dated 2 September 2021), by which it required banks operating in Lebanon to keep the regulatory classification unchanged for obligors that were negatively impacted by this pandemic and not to consider their past-dues, when existing, as evidence of SICR. However, under exceptional circumstances and in case an obligor ceases to be operating under a going concern basis, banks should immediately downgrade the borrower's classification to Stage 3.

45.2.3 The Group's internal rating and PD estimation process

Central Banks, Sovereigns and Financial Institutions

For central banks, sovereigns and financial institutions' exposures, ratings from recognised external rating agencies are used and mapped to their corresponding PDs as reported by these agencies. These ratings with their corresponding PDs are monitored and updated on a regular basis. With respect to exposures to the Central Bank of Lebanon and Lebanese sovereign, Intermediate Circular 567 modified the regulatory ECLs levels, previously set in its Intermediate Circular 543 issued on 3 February 2020. Regulatory ECL on exposures to Lebanese sovereign bonds in foreign currency was increased from 9.45% to 45%, while regulatory ECLs on exposures to Lebanese sovereign bonds in local currency, exposures to the Central Bank of Lebanon in foreign currency and exposures to the Central Bank of Lebanon in local currency remained unchanged (0%, 1.89% and 0% respectively). This circular however changed the requirement for the recognition of ECL in the banks' financial statements from a "maximum" level to a "minimum" one. Due to the high levels of uncertainties, the lack of observable indicators, and the lack of visibility on the Lebanese government's reform plans with respect to, among other, the exposures to the Central Bank of Lebanon, the Bank was unable to estimate in a reasonable manner ECL on this exposure and accordingly, as applicable, the loss rate mentioned in Intermediate Circular 567 was adopted. To note that the Group disposed of the majority of its holding of Lebanese Sovereign bonds in foreign currency during 2020 and allocated full provision coverage on the implied loss for the remaining balance based on prevailing market values.

45 CREDIT RISK (continued)

45.2 Expected Credit Losses

45.2.3 The Group's internal rating and PD estimation process (continued)

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

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

- Historical and projected financial information related to the customer. These include debt service coverage, operations, liquidity, capital structure and other relevant financial ratios.
- Account behavior, repayment history (factoring in any COVID-19 related regulatory forbearance measure where applicable) and other non-financial information such as management quality, company standing and industry risk.
- Any publicly available information from external parties. This includes external credit ratings issued by recognized rating agencies, independent research analyst reports and other market disclosures.
- Macro-economic information such as GDP growth which correspond to the customer's country of operations.
- Other supporting information on the obligor's willingness and capacity to repay its debt.

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

Retail loans and private banking
Retail lending comprises mainly of personal loans, car loans, credit cards and housing loans. The Group normally relies on application scorecards to score retail applicants and for either, the automation of decisions according to a certain cut-off score or as an additional input to support the approval or reject decision by specialised credit officers. For the estimation of expected losses for retail products, the Group uses the loss approach by product based on the net flow of exposures from one days-past-due bucket to another (factoring in any COVID-19 related regulatory forbearance measure where applicable). This estimation is adjusted by a forward-looking component in line with the IFRS-9 standard.

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

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

45 CREDIT RISK (continued)

45.2 Expected Credit Losses (continued)

45.2.5 Exposure at default

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

45.2.6 Significant increase in credit risk

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

Non-retail Portfolio

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

Retail Portfolio

The Group considers specific conditions that might be indicative of a significant increase in credit risk such as the occurrence of a restructuring event. The Group has also identified thresholds using historical default rates and historical payment behaviour to determine significant increase in credit risk.

Backstop

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

As noted in section "45.2.2. Definition of Default and Cure" and in response to the COVID-19 global pandemic, governments and regulators around the world have introduced a number of support measures for both retail and non-retail borrowers under market-wide programs.

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

45.2.7 Expected life

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

45.2.8 Forward looking information

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

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

45 CREDIT RISK (continued)

45.2 Expected Credit Losses (continued)

45.2.8 Forward looking information (continued)

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

The Group has identified real GDP growth, among others, as the key driver of ECL for several countries where it operates. Using an analysis of historical data, the Group has estimated relationships between this macro-economic variable and credit losses. The ECL estimates have been assessed for sensitivity to changes in forecasts of the macro-variable and also together with changes to the weights assigned to the scenarios. However, given the prevailing high uncertainties and challenges, which were further exacerbated by the COVID-19 pandemic as disclosed in Note 1, ECLs estimation remains subject to high volatility (including from changes to macroeconomic variable forecasts) especially in the event of a prolonged crisis and continued deterioration in the economic conditions. It is not practical at this stage to determine and provide sensitivity analysis that is reasonably possible before the full resolution of these prevailing high uncertainties.

45.2.9 Modified and forborne loans

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

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

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

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

45 CREDIT RISK (continued)

45.2 Expected Credit Losses (continued)

45.2.10 Financial assets and ECLs by stage

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

	2024								
	Gross exposure				*Impairment allowance*				
	Stage 1 *LBP000*	*Stage 2* *LBP000*	*Stage 3* *LBP000*	*Total* *LBP000*	*Stage 1* *LBP000*	*Stage 2* *LBP000*	*Stage 3* *LBP000*	*Total* *LBP000*	*Net exposure* *LBP000*
31 December 2024									
Balances with central banks	134,532,360,139	-	-	134,532,360,139	2,158,555,387	-	-	2,158,555,387	132,373,804,752
Deposits with banks and financial institutions	4,022,759,851	-	-	4,022,759,851	8,905,924	-	-	8,905,924	4,013,853,927
Financial assets at FVTPL	439,262,963	-	1,221,004	440,483,967	-	-	-	-	440,483,967
Loans and advances to customers and related parties at amortized cost	1,380,709,083	-	6,050,209,112	7,430,918,195	77,866,233		4,327,419,444	4,405,285,677	3,025,632,518
Investments securities	11,061,852,654	-	7,060,524,939	18,122,377,593	196,240,149	-	5,296,065,257	5,492,305,406	12,630,072,187
Total	151,436,944,690	-	13,111,955,055	164,548,899,745	2,441,567,693	-	9,623,484,701	12,065,052,394	152,483,847,351

	2023								
	Gross exposure				*Impairment allowance*				
	Stage 1 *LBP000*	*Stage 2* *LBP000*	*Stage 3* *LBP000*	*Total* *LBP000*	*Stage 1* *LBP000*	*Stage 2* *LBP000*	*Stage 3* *LBP000*	*Total* *LBP000*	*Net exposure* *LBP000*
31 December 2023									
Balances with central banks	22,375,490,850	-	-	22,375,490,850	340,725,027	-	-	340,725,027	22,034,765,823
Deposits with banks and financial institutions	708,985,602	-	-	708,985,602	2,841,140	-	-	2,841,140	706,144,462
Financial assets at FVTPL	81,801,435	-		81,801,435	-	-	-	-	81,801,435
Loans and advances to customers and related parties at amortized cost	343,995,602	36,718,760	1,092,459,564	1,473,173,926	8,103,593	1,523,670	592,900,972	602,528,235	870,645,691
Investments securities	2,630,832,688	-	1,183,328,202	3,814,160,890	35,933,448	-	790,737,176	826,670,624	2,987,490,266
Total	26,141,106,177	36,718,760	2,275,787,766	28,453,612,703	387,603,208	1,523,670	1,383,638,148	1,772,765,026	26,680,847,677

45 CREDIT RISK (continued)

45.2 Expected Credit Losses (continued)

45.2.10 Financial assets and ECLs by stage (continued)

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

	2024				*2023*			
	Stage 1 12 month ECL LBP000	*Stage 2 Lifetime ECL LBP000*	*Stage 3 Lifetime ECL LBP000*	*Total LBP000*	*Stage 1 12 month ECL LBP000*	*Stage 2 Lifetime ECL LBP000*	*Stage 3 Lifetime ECL LBP000*	*Total LBP000*
Excellent and strong (A+)	3,739,952	-	-	3,739,952	62,358	-	-	62,358
Good and satisfactory (A)	60,323,117	-	-	60,323,117	5,874,196	-	-	5,874,196
Adequate (A-)	13,803,154	-	-	13,803,154	2,167,039	-	-	2,167,039
Marginal and vulnerable (B&B-)	-	-	-	-	-	1,523,670	-	1,523,670
Substandard and doubtful (C,D&E)	-	-	4,327,419,454	4,327,419,454	-	-	592,900,972	592,900,972
Total gross carrying amount	77,866,223	-	4,327,419,454	4,405,285,677	8,103,593	1,523,670	592,900,972	602,528,235

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

	2024				*2023*			
	Stage 1 12 month ECL LBP000	*Stage 2 Lifetime ECL LBP000*	*Stage 3 Lifetime ECL LBP000*	*Total LBP000*	*Stage 1 12 month ECL LBP000*	*Stage 2 Lifetime ECL LBP000*	*Stage 3 Lifetime ECL LBP000*	*Total LBP000*
Balance at 1 January	8,103,593	1,523,670	592,900,972	602,528,235	4,288,965	7,442,859	48,661,037	60,392,861
Transfer from/to Stage 2	-	-	-	-	17,114,693	(17,114,693)	-	-
Transfer from/to Stage 3	-	-	-	-	-	-	-	-
Movement due to changes in balance and credit risk within the same stage	31,962,879	(9,017,848)	854,623,720	877,568,751	(36,958,831)	(41,789,691)	(90,431,888)	(169,180,410)
New financial assets originated or purchased	-	-	-	-	-	-	195,977,397	195,977,397
Difference of exchange	37,799,751	7,494,178	2,879,894,762	2,925,188,691	23,658,766	52,985,195	438,694,426	515,338,387
Balance at 31 December	77,866,223	-	4,327,419,454	4,405,285,677	8,103,593	1,523,670	592,900,972	602,528,235

45 CREDIT RISK (continued)

45.3 Analysis of Risk Concentrations

45.3.1 Geographical Location Analysis

The Group controls credit risk by maintaining close monitoring credit of its asset's exposures by geographic location. The distribution of financial assets by geographic region as of 31 December is as follows:

	2024						
	Lebanon LBP000	*MENA LBP000*	*Europe LBP000*	*North America LBP000*	*Rest of Africa LBP000*	*Rest of the world LBP000*	*Total LBP000*
Cash and deposits with central banks	133,113,725,239	-	-	-	-	-	133,113,725,239
Deposits with banks and financial institutions	177,273,342	25,146,545	3,797,587,871	13,846,169	-	-	4,013,853,927
Financial assets at fair value through profit or loss	422,440,731	-	18,043,236	-	-	-	440,483,967
Loans and advances to customers and related parties	2,595,767,152	9,505,616	106,672,723	-	313,687,027	-	3,025,632,518
Investments securities	12,094,745,344	533,959,916	1,366,927	-	-	-	12,630,072,187
Assets acquired in satisfaction of loans	30,349,450	-	-	-	-	-	30,349,450
Property, plant and equipment	2,970,466,852	-	475,984	-	-	-	2,970,942,836
Right-of-use assets	-	-	885,362	-	-	-	885,362
Intangible assets	15,059,431	-	-	-	-	-	15,059,431
Other assets	231,950,870	-	138,110,828	-	-	-	370,061,698
	151,651,778,411	568,612,077	4,063,142,931	13,846,169	313,687,027	-	156,611,066,615

	2023						
	Lebanon LBP000	*MENA LBP000*	*Europe LBP000*	*North America LBP000*	*Rest of Africa LBP000*	*Rest of the world LBP000*	*Total LBP000*
Cash and deposits with central banks	22,213,150,847	-	-	-	-	-	22,213,150,847
Deposits with banks and financial institutions	126,913,766	5,828,958	552,657,129	20,744,609	-	-	706,144,462
Financial assets at fair value through profit or loss	69,997,129	-	11,804,306	-	-	-	81,801,435
Loans and advances to customers and related parties	811,268,221	1,670,235	1,785,780	-	55,921,455	-	870,645,691
Investments securities	2,778,776,723	208,469,379	244,164	-	-	-	2,987,490,266
Assets acquired in satisfaction of loans	2,585,121	-	-	-	-	-	2,585,121
Property, plant and equipment	1,713,368,074	3,256	-	-	-	-	1,713,371,330
Right-of-use assets	-	-	1,369,021	-	-	-	1,369,021
Intangible assets	702,704	-	-	-	-	-	702,704
Other assets	83,528,054	-	20,635,387	-	-	-	104,163,441
	27,800,290,639	215,971,828	588,495,787	20,744,609	55,921,455	-	28,681,424,318

45 CREDIT RISK (continued)

45.4 Credit Quality

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

(i) External ratings from approved credit rating agencies for fixed income instruments and financial institutions exposures.

(ii) Internal rating models that take into account both financial and non-financial information such as management quality, operating environment and company standing. The Group has designed specific internal rating models for Corporate, SME models, Project Finance and Individual borrowers.

(iii) Empirical and expert-based scorecards that assess the creditworthiness of retail borrowers in an objective manner.

(iv) Supervisory classifications, comprising six main categories: (a) Regular includes borrowers demonstrating good to excellent financial condition, risk factors, and capacity to repay. These borrowers display regular and timely payment of their dues, adequacy of cash flows, timely presentation of financial statements, and sufficient collateral/guarantee when required. (b) Follow-up represents a lack of updated documentation related to the borrower's activity, an inconsistency between facilities' type and related conditions. (c) Follow-up and regularisation includes creditworthy borrowers requiring close monitoring without being impaired. These borrowers usually demonstrate signs of weaknesses (such as insufficient or inadequate cash flows, high leverage ratio, excess utilization, multiple loan rescheduling since initiation), or operating under deteriorating economic or geographic conditions. (d) Substandard loans include borrowers showing clear signs of inability to repay their facilities on due time, as well as financial difficulties (e.g., hard core accounts, weakened cash generation capacity). (e) Doubtful loans where full repayment is questioned even after liquidation of collateral, when applicable. It also includes loans with past-dues for over 6 months and debtors who are unable to repay their restructured facilities. Finally, (f) bad loans which relate to obligors with no or little expected repayment from business activities or assets liquidation. This category also includes borrowers with significant delays and deemed insolvent.

Sovereign and Banks and Financial Institutions

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

Non-retail Loans

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

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

45 CREDIT RISK (continued)

45.4 Credit Quality (continued)

Retail

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

The credit quality descriptions can be summarized as follows:

- *High*: there is a very high likelihood that the asset will be recovered in full. The counterparty exhibits high ability and willingness to meets its full obligation on due time.
- *Standard*: there is a high likelihood that the asset will be recovered in full. At the lower end of this category however, there are obligors showing some signs of reduced repayment capacity, as well as retail borrowers in their early delinquency status.
- *Weak*: there is a concern on the obligor's ability to make payments when due. However, this has not materialized yet in an event of default. Under this category, the borrower, who is now under a close monitoring and follow-up process, continues to repay his dues, albeit with some and/or recurring delays. Under this category, the exposure is exhibiting an increased risk of loss.

45 CREDIT RISK (continued)

45.4 Credit Quality (continued)

The classification of the Group's financial instruments and balances due from banks and financial institutions as per external ratings are as follows:

	2024										
	Sovereign and Central Banks					*Non-sovereign*					
	AAA to BBB- LBP000	*BB+ to B- LBP000*	*Below B- LBP000*	*Unrated LBP000*	*Total LBP000*	*AAA to BBB- LBP000*	*BB+ to B- LBP000*	*Below B- LBP000*	*Unrated LBP000*	*Total LBP000*	*Grand total LBP000*
Balances with central banks	-	-	132,373,804,752	-	132,373,804,752	-	-	-	-	-	132,373,804,752
Deposits with banks and financial institutions	-	-	-	-	-	2,928,209,853	12,388,179	-	1,073,255,895	4,013,853,927	4,013,853,927
Loans to banks and financial institutions	-	-	-	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	1,441,681	-	1,441,681	18,043,236	-	-	420,999,050	439,042,286	440,483,967
Financial assets at amortized cost	-	-	11,429,175,723	-	11,429,175,723	-	-	-	639,962,036	639,962,036	12,069,137,759
	-	-	143,804,422,156	-	143,804,422,156	2,946,253,089	12,388,179	-	2,134,216,981	5,092,858,249	148,897,280,405

	2023										
	Sovereign and Central Banks					*Non-sovereign*					
	AAA to BBB- LBP000	*BB+ to B- LBP000*	*Below B- LBP000*	*Unrated LBP000*	*Total LBP000*	*AAA to BBB- LBP000*	*BB+ to B- LBP000*	*Below B- LBP000*	*Unrated LBP000*	*Total LBP000*	*Grand total LBP000*
Balances with central banks	-	-	22,034,765,823	-	22,034,765,823	-	-	-	-	-	22,034,765,823
Deposits with banks and financial institutions	-	-	-	-	-	460,630,707	5,485,906	-	240,027,849	706,144,462	706,144,462
Loans to banks and financial institutions	-	-	-	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	337,879	-	337,879	11,804,306	-	-	69,659,250	81,463,556	81,801,435
Financial assets at amortized cost	-	-	2,760,728,071	-	2,760,728,071	-	-	-	13,244,850	13,244,850	2,773,972,921
	-	-	24,795,831,773	-	24,795,831,773	472,435,013	5,485,906	-	322,931,949	800,852,868	25,596,684,641

45 CREDIT RISK (continued)

45.4 Credit Quality (continued)

The table below shows the credit quality of the Group's loans and advances to customers and related parties based on internal credit ratings and stage classification. The amounts presented are net of impairment allowances.

	2024			
	Stage 1 *LBP 000*	*Stage 2* *LBP 000*	*Stage 3* *LBP 000*	*Total* *LBP 000*
Loans and advances to customers at amortised cost	1,295,139,819	-	1,722,789,550	3,017,929,369
Corporate and SMEs	*669,236,823*	-	*1,649,673,049*	*2,318,909,872*
Performing	*714,063,304*	-	-	*714,063,304*
High	97,200,645	-	-	97,200,645
Standard	25,405,571	-	-	25,405,571
Weak	591,457,088	-	-	591,457,088
Non-performing	-	-	5,761,442,405	5,761,442,405
Credit impaired	(44,826,481)	-	(4,111,769,356)	(4,156,595,837)
Retail and private banking	*625,902,996*	-	*73,116,501*	*699,019,497*
Performing	*658,663,468*	-	*288,766,589*	*947,430,057*
High	2,444,246	-	-	2,444,246
Standard	272,438,582	-	-	272,438,582
Weak	383,780,640	-	-	383,780,640
Non-performing	-	-	288,766,589	288,766,589
Credit impaired	(32,760,472)	-	(215,650,088)	(248,410,560)
Public sector				
Performing	-	-	-	-
Standard	-	-	-	-
Non-performing	-	-	-	-
Credit impaired	-	-	-	-
Loans and advances to related parties at amortised cost	7,703,149	-	-	7,703,149
Performing	*7,982,429*	-	-	*7,982,429*
Weak	7,982,429	-	-	7,982,429
Credit impaired	(279,280)	-	-	(279,280)
Off balance sheet loan commitments and financial guarantee contracts	655,608,837	-	-	655,608,837
Performing	*682,550,624*	-	-	*682,550,624*
High	43,063,370	-	-	43,063,370
Standard	35,577,680	-	-	35,577,680
Weak	603,909,574	-	-	603,909,574
Non-performing	-	-		-
Credit impaired	(26,941,787)	-	-	(26,941,787)
Total	1,958,451,805	-	1,722,789,550	3,681,241,355

45 CREDIT RISK (continued)

45.4 Credit Quality (continued)

	2023			
	Stage 1 *LBP 000*	*Stage 2* *LBP 000*	*Stage 3* *LBP 000*	*Total* *LBP 000*
Loans and advances to customers at amortised cost	332,125,556	35,195,090	499,558,592	866,879,238
Corporate and SMEs	*164,425,627*	*31,953,295*	*476,389,303*	*672,768,225*
Performing	*168,751,678*	*32,665,604*	*1,064,441,060*	*1,265,858,342*
High	25,380,154	24,016,191	-	49,396,345
Standard	5,641,046	-	-	5,641,046
Weak	137,730,478	8,649,413	-	146,379,891
Non-performing	-	-	1,064,441,060	1,064,441,060
Credit impaired	(4,326,051)	(712,309)	(588,051,757)	(593,090,117)
Retail and private banking	*167,699,929*	*3,241,795*	*23,169,289*	*194,111,013*
Performing	*171,442,142*	*4,053,156*	*28,018,504*	*203,513,802*
High	1,729,382	-	-	1,729,382
Standard	56,006,920	1,357,147	-	57,364,067
Weak	113,705,840	2,696,009	-	116,401,849
Non-performing	-	-	28,018,504	28,018,504
Credit impaired	(3,742,213)	(811,361)	(4,849,215)	(9,402,789)
Public sector				
Performing	-	-	-	-
Standard	-	-	-	-
Non-performing	-	-	-	-
Credit impaired	-	-	-	-
Loans and advances to related parties at amortised cost	3,766,453	-	-	3,766,453
Performing	*3,801,782*	-	-	*3,801,782*
Weak	3,801,782	-	-	3,801,782
Credit impaired	(35,329)	-	-	(35,329)
Off balance sheet loan commitments and financial guarantee contracts	154,162,661	-	1,085,834	155,248,495
Performing	157,320,275	-	1,085,834	158,406,109
High	9,047,054	-	-	9,047,054
Standard	6,361,112	-	-	6,361,112
Weak	141,912,109	-	-	141,912,109
Non-performing	-	-	1,085,834	1,085,834
Credit impaired	(3,157,614)	-	-	(3,157,614)
Total	490,054,670	35,195,090	500,644,426	1,025,894,186

45 CREDIT RISK (continued)

45.5 Maximum exposure to credit risk and collateral and other credit enhancements

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

	2024					
	Maximum exposure LBP000	*Cash collateral and margins LBP000*	*Securities LBP000*	*Guarantees received from banks and financial institutions LBP000*	*Real estate LBP000*	*Net credit exposure LBP000*
Balances with central banks	134,467,801,569	-	-	-	-	134,467,801,569
Due from banks and financial institutions	4,020,985,251	-	-	-	-	4,020,985,251
Loans to banks and financial institutions	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Financial assets at fair value through profit or loss	440,483,967	-	-	-	-	440,483,967
Loans and advances to customers at amortized cost						
Corporate and SME	2,787,534,726	110,705,325	24,055,094	-	2,622,800,006	29,974,301
Retail and personal banking	230,096,044	72,978,121	90,952,675	-	36,728,228	29,437,020
Loans and advances to related parties at amortized cost	8,001,748	-	-	-	-	8,001,748
Debtors by acceptances	-	-	-	-	-	-
Investment Securities	12,630,072,187	-	-	-	-	12,630,072,187
Contingent liabilities						
Letters of credit	-	-	-	-	-	-
Financial guarantee given to banks and financial institutions	-	-	-	-	-	-
Financial guarantee given to customers	648,164,997	-	287,210,333	-	30,789,790	330,164,874
Total	155,233,140,489	183,683,446	402,218,102	-	2,690,318,024	151,956,920,917
Guarantees received from banks, financial institutions and customers						
Utilized collateral	2,455,137,598	104,919,597	184,349,863	64,601,458	7,634,350	2,093,632,330

45 CREDIT RISK (continued)

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

	2023					
	Maximum exposure LBP000	*Cash collateral and margins LBP000*	*Securities LBP000*	*Guarantees received from banks and financial institutions LBP000*	*Real estate LBP000*	*Net credit exposure LBP000*
Balances with central banks	22,334,671,589	-	-	-	-	22,334,671,589
Due from banks and financial institutions	708,645,232	-	-	-	-	708,645,232
Loans to banks and financial institutions	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Financial assets at fair value through profit or loss	81,801,435	-	-	-	-	81,801,435
Loans and advances to customers at amortized cost						
Corporate and SME	670,580,688	19,382,130	3,397,815	-	518,265,000	129,535,743
Retail and personal banking	196,343,457	11,737,845	11,869,605	-	82,665,750	90,070,257
Loans and advances to related parties at amortized cost	3,721,546	-	-	-	-	3,721,546
Debtors by acceptances	-	-	-	-	-	-
Investment Securities	2,987,490,266	-	-	-	-	2,987,490,266
Contingent liabilities						
Letters of credit	-	-	-	-	-	-
Financial guarantee given to banks and financial institutions	6,148,810	-	-	-	-	6,148,810
Financial guarantee given to customers	149,080,165	35,394,273	-	4,836,918	-	108,848,974
Total	27,138,483,188	66,514,248	15,267,420	4,836,918	600,930,750	26,450,933,852
Guarantees received from banks, financial institutions and customers						
Utilized collateral	1,239,216,765	8,545,311	9,418,935	2,415,195	388,789,215	830,048,109

45 CREDIT RISK (continued)

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

Collateral and Other Credit Enhancements

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

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

The main types of collateral obtained are as follows:

- *Securities:* the balances shown represent the fair value of the securities.

- *Letters of credit/guarantees:* the Group holds in some cases guarantees, letters of credit and similar instruments from banks and financial institutions, which enable it to claim settlement in the event of default on the part of the counterparty. The balances shown represent the notional amount of these types of guarantees held by the Group.

- *Real estate (commercial and residential):* the Bank holds, in some cases, a first-degree mortgage over residential property (for housing loans) and commercial property (for commercial loans). The value shown reflects the fair value of the property limited to the related mortgaged amount.

- *Netting agreements:* the Group makes use of netting agreements and other arrangements not eligible for netting under *IAS 32 Financial Instruments: Presentation,* with its counterparties. Such arrangements provide for net settlement of all financial instruments covered by the agreements in the event of default. Although these netting arrangements do not normally result in an offset of balance sheet assets and liabilities (as the conditions for offsetting under IAS 32 may not apply), they nevertheless reduce the Group's exposure to credit risk outstanding amounts of such contracts, as shown in the above table.

In addition to the above, the Group also obtains guarantees from parent companies for loans to their subsidiaries, personal guarantees from borrowing companies' shareholders, second degree mortgages on real estate assets, and assignments of insurance or bills proceeds and revenues, which are not reflected in the above table.

46 MARKET RISK

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

The responsibilities of the Market Risk function are to identify, measure, monitor control and report all current and future potential market risks to which the Group is exposed. This includes the effective implementation of a proper risk management framework around the treasury, investment portfolio, and asset and liability activities through the adoption of consistent and comprehensive risk management tools and methodologies. The Group monitors the risk profile generated by these activities in order to ensure that it remains within the approved risk policies and limits.

The Group conducts stress tests on a regular basis using various scenarios and assumptions that are deemed plausible and relevant to the Group's business model and operating environment.

46 MARKET RISK (continued)

A. *CURRENCY RISK*

Foreign exchange (or currency) risk is the risk that the value of a portfolio will fall as a result of changes in foreign exchange rates. The major sources of this type of market risk are imperfect correlations in the movements of currency prices, fluctuations in interest rates and exchange rate volatility in general. The Group is subject to currency risk on financial assets and liabilities that are denominated in currencies other than the Lebanese Pound. Most of these financial assets and liabilities are in US Dollars and Euros.

As disclosed in Note 1, the Group's assets and liabilities in foreign currencies are valued at the official exchange rate. Due to the high volatility and the significant variance in exchange rates between the multiple currency markets, this does not always represent a reasonable estimate of expected cash flows in Lebanese Pounds that would have to be generated/used from the realisation of such assets or the payment of such liabilities at the date of the transaction or at the date of the financial statements. 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 change in the official exchange rate and /or a legal exchange mechanism is implemented by the Lebanese government.

The following tables present the breakdown of assets and liabilities of the Group by currency. Impairment allowances are reflected in the tables below in the currency in which they were recorded, which might differ from the original currency of the impaired asset.

	2024				
	LBP	*US$*	*EUR*	*Other*	*Total*
	LBP000	*LBP000*	*LBP000*	*LBP000*	*LBP000*
Assets					
Cash and deposits with central banks	408,768,429	123,707,907,890	8,224,765,222	772,283,698	133,113,725,239
Deposits with banks and financial institutions	2,176,127	1,760,699,337	2,207,062,405	43,916,058	4,013,853,927
Financial assets at fair value through profit or loss	25,920,602	414,563,365	-	-	440,483,967
Loans and advances to customers and related parties	14,272,741	2,378,558,278	631,698,793	1,102,706	3,025,632,518
Investments securities	99,375,956	12,529,329,303	1,366,928	-	12,630,072,187
Assets acquired in satisfaction of loans	-	30,349,450	-	-	30,349,450
Property, Plant and equipment	2,970,466,852	475,984	-	-	2,970,942,836
Right-of-use assets	-	885,362			885,362
Intangible assets	15,059,431	-	-	-	15,059,431
Other assets	104,619,178	(1,773,967,194)	1,707,111,745	332,297,969	370,061,698
Total assets	3,640,659,316	139,048,801,775	12,772,005,093	1,149,600,431	156,611,066,615
Liabilities and shareholders' equity					
Deposits and borrowings from banks and financial institutions	646,291,920	35,845,808,976	(5,191,495,597)	(389,792,143)	30,910,813,156
Customers and related parties accounts at amortized cost	310,024,949	123,008,400,330	(7,479,436,650)	(758,479,488)	115,080,509,141
Other term borrowings	35,605,151	202,346,490	-	-	237,951,641
Lease liability	-	11,607,391	-	-	11,607,391
Other liabilities	432,962,017	1,973,226,286	(101,072,844)	(1,328,802)	2,303,786,657
Provisions	45,633,010	1,333,060,079	-	-	1,378,693,089
Subordinated bonds	-	3,132,500,000	-	-	3,132,500,000
Total liabilities	1,470,517,047	165,506,949,552	(12,772,005,091)	(1,149,600,433)	153,055,861,075
Shareholders' equity	4,243,206,931	(688,001,391)	-	-	3,555,205,540
Total liabilities and shareholders' equity	5,713,723,978	164,818,948,161	(12,772,005,091)	(1,149,600,433)	156,611,066,615

46 MARKET RISK (continued)

A. CURRENCY RISK (continued)

			2023		
	LBP	*US$*	*EUR*	*Other*	*Total*
	LBP000	*LBP000*	*LBP000*	*LBP000*	*LBP000*
Assets					
Cash and deposits with central banks	151,211,555	20,603,598,221	1,454,529,596	3,811,475	22,213,150,847
Deposits with banks and financial institutions	2,305,152	482,706,193	206,959,877	14,173,240	706,144,462
Financial assets at fair value through profit or loss	2,565,829	79,235,606	-	-	81,801,435
Loans and advances to customers and related parties	30,263,249	683,026,783	155,054,478	2,301,181	870,645,691
Investments securities	136,081,319	2,851,164,783	244,164	-	2,987,490,266
Assets acquired in satisfaction of loans	-	2,585,121	-	-	2,585,121
Property, Plant and equipment	1,713,368,074	3,256	-	-	1,713,371,330
Right-of-use assets	-	1,369,021	-	-	1,369,021
Intangible assets	702,704	-	-	-	702,704
Other assets	82,499,962	-	21,663,479	-	104,163,441
Total assets	2,118,997,844	24,703,688,984	1,838,451,594	20,285,896	28,681,424,318
Liabilities and shareholders' equity					
Deposits and borrowings from banks and financial institutions	432,835,218	3,796,132,445	839,008,853	46,917,057	5,114,893,573
Customers and related parties accounts at amortized cost	214,232,839	18,640,820,300	1,358,810,754	142,035,986	20,355,899,879
Other term borrowings	64,527,734	55,578,178	-	-	120,105,912
Lease liability	4,239,030	-	-	-	4,239,030
Other liabilities	103,551,696	118,889,845	-	-	222,441,541
Provisions	45,744,453	214,596,824	-	-	260,341,277
Subordinated bonds	-	543,526,178	-	-	543,526,178
Total liabilities	865,130,970	23,369,543,770	2,197,819,607	188,953,043	26,621,447,390
Shareholders' equity	1,873,882,659	186,094,269	-	-	2,059,976,928
Total liabilities and shareholders' equity	2,739,013,629	23,555,638,039	2,197,819,607	188,953,043	28,681,424,318

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

B. INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair value of financial instruments. The Group is exposed to interest rate risk as a result of mismatches of interest rate repricing of assets and liabilities. Positions are monitored on a daily basis by Management and, whenever possible, hedging strategies are used to ensure positions are maintained within established limits.

The table below shows the sensitivity of interest income to 1% parallel changes in interest rates, all other variables being held constant.

The impact of interest rate changes on net interest income is due to assumed changes in interest paid and received on floating rate financial assets and liabilities and to the reinvestment or refunding of fixed rated financial assets and liabilities at the assumed rates. The result includes the effect of hedging instruments and assets and liabilities held at 31 December 2024 and 2023. Given the prolonged nature of the Lebanese crisis and related high level of uncertainties, the Group expects the low interest rates environment for the local currency (or equivalent) to continue prevailing in Lebanon during 2025. The Group is also unable to determine what would be a reasonably possible change in interest rates. The Central Bank of Lebanon has already decreased interest rates used by the Lebanese banking sector through its various intermediate circulars.

46 MARKET RISK (continued)

B. INTEREST RATE RISK (continued)

The change in interest income is calculated over a 1-year period while the effect of any future associated hedges made by the Group is not accounted for.

		2024	*2023*
	Decrease in Basis Points	*LBP Million Decrease*	*LBP Million Decrease*
LBP	- 100	90,773	26,647

46 MARKET RISK (continued)

B. *INTEREST RATE RISK (continued)*

The Group's interest sensitivity position based on contractual repricing arrangements is shown in the table below. The expected repricing and maturity dates may differ significantly from the contractual dates particularly with regard to the maturity of customer demand deposits.

	2024								
	Up to 1 month LBP000	*1 to 3 months LBP000*	*3 months to 1 year LBP000*	*Total less than 1 year LBP000*	*1 to 5 years LBP000*	*Over 5 Years LBP000*	*Total more than 1 year LBP000*	*Non-interest bearing LBP000*	*Total LBP000*
Assets									
Cash and balances with central banks	93,755,609,569	25,955,000,000	537,000,000	120,247,609,569	14,249,302,796	7,914,000	14,257,216,796	(1,391,101,126)	133,113,725,239
Deposits with banks and financial institutions	2,962,493,194	976,611,304	-	3,939,104,498	46,833,894	-	46,833,894	27,915,535	4,013,853,927
Financial assets at fair value through profit or loss	94,631	-	126,046	220,677	18,043,236	-	18,043,236	422,220,054	440,483,967
Loans and advances to customers and related parties	1,228,191,648	1,392,900	31,330,840	1,260,915,388	112,177,378	-	112,177,378	1,652,539,752	3,025,632,518
Investments securities	40,003	4,346,108	7,044,648,109	7,049,034,220	2,084,147,425	1,345,842,216	3,429,989,641	2,151,048,326	12,630,072,187
Assets acquired in satisfaction of loans	-	-	-	-	-	-	-	30,349,450	30,349,450
Property, Plant and equipment	-	-	-	-	-	-	-	2,970,942,836	2,970,942,836
Right-of-use assets	-	-	-	-	-	-	-	885,362	885,362
Intangible assets	-	-	-	-	-	-	-	15,059,431	15,059,431
Other assets	-	-	-	-	-	-	-	370,061,698	370,061,698
TOTAL ASSETS	97,946,429,045	26,937,350,312	7,613,104,995	132,496,884,352	16,510,504,729	1,353,756,216	17,864,260,945	6,249,921,318	156,611,066,615
Liabilities and shareholders' equity									
Deposits and borrowings from banks and financial institutions	28,117,567,811	478,166,940	33,903,838	28,629,638,589	2,187,650,000	-	2,187,650,000	93,524,567	30,910,813,156
Customers and related parties accounts at amortized cost	111,346,545,252	354,234,723	3,371,241,060	115,072,021,035	-	-	-	8,488,106	115,080,509,141
Other term borrowings	34,455,990	7,584,166	49,158,113	91,198,269	138,566,599	124,178	138,690,777	8,062,595	237,951,641
Lease liability	-	-	-	-	-	-	-	11,607,391	11,607,391
Other liabilities	-	-	-	-	-	-	-	2,303,786,657	2,303,786,657
Provisions	-	-	-	-	-	-	-	1,378,693,089	1,378,693,089
Subordinated bonds	3,132,500,000	-	-	3,132,500,000	-	-	-	-	3,132,500,000
Total liabilities	142,631,069,053	839,985,829	3,454,303,011	146,925,357,893	2,326,216,599	124,178	2,326,340,777	3,804,162,405	153,055,861,075
Interest rate sensitivity gap	(44,684,640,008)	26,097,364,483	4,158,801,984		14,184,288,130	1,353,632,037			
Cumulative gap	(44,684,640,008)	(18,587,275,525)	(14,428,473,541)		(244,185,411)	1,109,446,626			

46 MARKET RISK (continued)

B. INTEREST RATE RISK (continued)

	2023								
	Up to 1 month LBP000	*1 to 3 months LBP000*	*3 months to 1 year LBP000*	*Total less than 1 year LBP000*	*1 to 5 years LBP000*	*Over 5 Years LBP000*	*Total more than 1 year LBP000*	*Non-interest bearing LBP000*	*Total LBP000*
Assets									
Cash and balances with central banks	19,124,157,474	-	735,810,000	19,859,967,474	2,490,987,000	10,955,000	2,501,942,000	-148,758,627	22,213,150,847
Deposits with banks and financial institutions	434,113,383	170,236,543	-	604,349,926	-	-	-	101,794,536	706,144,462
Financial assets at fair value through profit or loss	-	-	106,539	106,539	225,040	6,300	231,340	81,463,556	81,801,435
Loans and advances to customers and related parties	261,225,069	1,924,630	80,684,565	343,834,264	10,639,070	29,250,000	39,889,070	486,922,357	870,645,691
Investments securities	1,500,109	389,491,716	173,425,672	564,417,497	1,613,392,601	225,664,480	1,839,057,081	584,015,688	2,987,490,266
Assets acquired in satisfaction of loans	-	-	-	-	-	-	-	2,585,121	2,585,121
Property, Plant and equipment	-	-	-	-	-	-	-	1,713,371,330	1,713,371,330
Right-of-use assets	-	-	-	-	-	-	-	1,369,021	1,369,021
Intangible assets	-	-	-	-	-	-	-	702,704	702,704
Other assets	-	-	-	-	-	-	-	104,163,441	104,163,441
TOTAL ASSETS	19,820,996,035	561,652,889	990,026,776	21,372,675,700	4,115,243,711	265,875,780	4,381,119,491	2,927,629,127	28,681,424,318
Liabilities and shareholders' equity									
Deposits and borrowings from banks and financial institutions	4,542,016,827	85,411,620	73,040,642	4,700,469,089	399,905,625	-	399,905,625	14,518,859	5,114,893,573
Customers and related parties accounts at amortized cost	19,501,165,318	235,529,395	596,972,832	20,333,667,545	-	-	-	22,232,334	20,355,899,879
Other term borrowings	1,228,974	10,299,554	30,559,993	42,088,521	47,367,086	29,404,671	76,771,757	1,245,634	120,105,912
Lease liability	-	-	-	-	-	-	-	4,239,030	4,239,030
Other liabilities	-	-	-	-	-	-	-	222,441,541	222,441,541
Provisions	-	-	-	-	-	-	-	260,341,277	260,341,277
Subordinated bonds	525,000,000	-	-	525,000,000	-	-	-	18,526,178	543,526,178
Total liabilities	24,569,411,119	331,240,569	700,573,467	25,601,225,155	447,272,711	29,404,671	476,677,382	543,544,853	26,621,447,390
Interest rate sensitivity gap	(4,748,415,084)	230,412,320	289,453,309		3,667,971,000	236,471,109			
Cumulative gap	(4,748,415,084)	(4,518,002,764)	(4,228,549,455)		(560,578,455)	(324,107,346)			

46 MARKET RISK (continued)

C. PREPAYMENT RISK

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier than expected. This is applicable for example on fixed rate loans when market interest rates fall.

In Lebanon and following the severe devaluation of the local currency in the parallel market and prevalence of multiple exchange rates, prepayment activities on the lending portfolio have accelerated during the course of 2021. However in view of the quasi-absence of any local interest rate benchmarks due to the crisis and given that the Bank in Lebanon prioritizing the implementation of a de-risking strategy (with the aim of alleviating pressure on credit asset quality), the Group considers the impact of prepayment risk resulting from these transactions to be benign.

Outside Lebanon, market risks that lead to prepayments are not material with respect to the markets where the Group operates. Accordingly, the Group considers the impact of prepayment risk on net profits to be not material after considering any penalty fees received on prepayment activities, when existing.

D. EQUITY PRICE RISK

Equity price risk is the risk that the value of a portfolio will fall as a result of a change in stock prices. Risk factors underlying this type of market risk are a whole range of various equity (and index) prices corresponding to different markets (and currencies/maturities) in which the Group holds equity-related positions.

Given the very low risk appetite of the Group for such type of risk exposure, the Group sets tight limits on equity exposures and the types of equity instruments that traders are allowed to take positions in. Nevertheless, depending on the complexity of financial instruments, equity risk is measured in first cash terms, such as the market value of a stock/index position, and also in price sensitivities, such as sensitivity of the value of a portfolio to changes in the underlying asset price. These measures are applied to an individual position and/or to a portfolio of equities.

47 LIQUIDITY RISK

Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due under both normal and stress circumstances.

The Group manages liquidity at the entity level independently while keeping oversight of intra-group dependencies, when existing. The Group recognizes that its ability to meet its liquidity requirements, including international commitments, may come under increasing pressure under a deteriorating operating environment. Following October 2019 events, the Group's international liquidity in Lebanon came under an unprecedented pressure, which led Management to implement a series of remedial measures to mitigate this risk.

The following outlines the monitoring process that takes place at the entity level including some activities that are more relevant to the Lebanese operations.

Monitoring Process

Daily

Due to the ongoing economic and financial crisis in Lebanon, Management focused its efforts on the monitoring of international liquidity coverage relative to international commitments, including external account deposits.

To support this activity, the Treasury function monitors and reports daily and intra-day inflows and outflows for major currencies and ensures that funding gaps are met.

Weekly

The Market Risk unit prepares a weekly report on the international liquid exposures showing the changes in the position compared to previous period, in addition to the liquidity position for other major currencies.

Monthly

The Market Risk function submits a monthly ALM report to ALCO showing changes in the liquidity position including future flows, as well as the coverage level relative to international commitments.

47 LIQUIDITY RISK (continued)

Monitoring Process (continued)
Quarterly
The Board of Directors is informed of compliance with internal and regulatory liquidity ratios for each banking unit on at least a quarterly basis.

Periodic
The liquidity position is assessed under various scenarios, including simulation of Group-specific crisis and market-wide crises. The stress scenarios are applied to both on-balance sheet and off-balance sheet commitments to provide a comprehensive picture of potential cash outflows.

Moreover, stress testing is carried out annually for all material banking units of the Group as part of the ICAAP preparation and submission. Scenarios used in these stress tests vary between entities to reflect their local market operating environments. Scenarios may include, among others, the following assumptions:
- Significant withdrawals of foreign currency deposits.
- Significant withdrawals of undrawn and committed credit lines.
- Significant haircut on liquid assets.
- Unavailability of wholesale (interbank) funding.
- Significant reduction in assets that are eligible as collateral in the refinancing operations.

Furthermore, the Group has put in place policies and measures for monitoring and managing liquidity risk. These include setting up remedial actions to be taken in response to potential liquidity stress events. Among these policies is the Asset Liability Management (ALM) Risk Policy which is reviewed by ALCO and submitted to the Board Risk Committee for review.

Liquidity Ratios
The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general, and specifically to the Group. In Lebanon and since October 2019 events, the Group monitors on a regular basis the ratio of available international foreign currency liquidity to international commitments over various time horizons.

The Central Bank of Lebanon, through its Basic Circular 154 dated 27 August 2020, issued various requirements aiming at restoring the normal banking operations in Lebanon to their pre-October 2019 levels. Among these requirements, Lebanese banks were requested to maintain total current account balance with foreign correspondent banks (international liquidity that is free of any obligation) in excess of 3% of the Group's total foreign currency deposits as at 31 July 2020 by 28 February 2021. On 24 December 2020, the Banking Control Commission of Lebanon issued memo 18/2020 that contains guidance for the calculation of this ratio.

Sources of Funding
Customers' deposits were the main funding source of the Group as at 31 December 2024 and 2023. The distribution of sources and the maturity of deposits are actively monitored in order to avoid high concentration of deposits by maturity and size. The Group monitors the percentage of core deposits versus total deposits and aims to ensure that this percentage is maintained at a high level.

The Group stresses the importance of customers' deposits as source of funds to finance its lending activities. This is monitored by using the advances to deposits ratio which compares loans and advances to customers as a percentage of clients' deposits.

	LBP		*Foreign currencies*	
	2024	*2023*	*2024*	*2023*
	%	%	%	%
Year-end	**4.64**	14.23	**2.62**	4.19
Maximum	**8.15**	92.01	**4.12**	7.30
Minimum	**4.64**	14.23	**2.62**	4.19
Average	**8.77**	57.06	**3.77**	5.50

47 LIQUIDITY RISK (continued)

Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial assets and liabilities as of 31 December based on contractual undiscounted cash flows. The contractual maturities have been determined based on the period remaining to reach maturity as per the statement of financial position actual commitments. Repayments which are subject to notice are treated as if notice were to be given immediately.

The table does not reflect the expected cash flows indicated by the Group's deposit retention history.

	2024					
	Less than 1 month LBP000	*1 to 3 months LBP000*	*3 to 12 months LBP000*	*1 to 5 years LBP000*	*Over 5 years LBP000*	*Total LBP000*
Financial liabilities						
Deposits and borrowing with banks and financial institutions	28,116,481,841	478,166,940	128,514,375	2,187,650,000	-	30,910,813,156
Customers and related parties at amortized cost	111,354,512,077	354,234,723	3,371,762,341	-	-	115,080,509,141
Other term borrowings	42,518,585	7,584,166	49,158,112	138,566,599	124,179	237,951,641
Lease liability	11,607,391	-	-	-	-	11,607,391
Other liability	2,303,786,657	-	-	-	-	2,303,786,657
Provisions	1,378,693,089	-	-	-	-	1,378,693,089
Subordinated bonds	3,132,500,000	-	-	-	-	3,132,500,000
Total financial liabilities	146,340,099,640	839,985,829	3,549,434,828	2,326,216,599	124,179	153,055,861,075

	2023					
	Less than 1 month LBP000	*1 to 3 months LBP000*	*3 to 12 months LBP000*	*1 to 5 years LBP000*	*Over 5 years LBP000*	*Total LBP000*
Financial liabilities						
Deposits and borrowing with banks and financial institutions	4,556,535,686	85,411,620	73,040,642	399,905,625	-	5,114,893,573
Customers and related parties at amortized cost	19,523,397,652	235,529,395	596,972,832	-	-	20,355,899,879
Other term borrowings	2,474,608	10,299,554	30,559,993	47,367,086	29,404,671	120,105,912
Lease liability	4,239,030	-	-	-	-	4,239,030
Other liability	222,441,541	-	-	-	-	222,441,541
Provisions	260,341,277	-	-	-	-	260,341,277
Subordinated bonds	525,000,000	-	-	18,526,178	-	543,526,178
Total financial liabilities	25,094,429,794	331,240,569	700,573,467	465,798,889	29,404,671	26,621,447,390

47 LIQUIDITY RISK (continued)

Maturity analysis of assets and liabilities

The table below summarizes the maturity profile of the Group's assets and liabilities.

The maturity profile of the assets and liabilities at 31 December 2024 is as follows:

	Total less than one year LBP000	*Total more than one year LBP000*	*Total LBP000*
Assets			
Cash and deposits with central banks	118,893,533,239	14,220,192,000	133,113,725,239
Deposits with banks and financial institutions	4,013,853,927	-	4,013,853,927
Financial assets at fair value through profit or loss	440,483,967	-	440,483,967
Loans and advances to customers and related parties	2,913,455,140	112,177,378	3,025,632,518
Investments securities	9,200,082,546	3,429,989,641	12,630,072,187
Assets acquired in satisfaction of loans	30,349,450	-	30,349,450
Property, plant and equipment	2,970,942,836	-	2,970,942,836
Right-of-use assets	885,362	-	885,362
Intangible assets	15,059,431	-	15,059,431
Other assets	370,061,698	-	370,061,698
Total assets	138,848,707,596	17,762,359,019	156,611,066,615
Liabilities and shareholders' equity			
Deposits and borrowing from banks and financial institutions	28,723,163,156	2,187,650,000	30,910,813,156
Customers and related parties accounts at amortized cost	115,080,509,141	-	115,080,509,141
Other term borrowings	99,260,864	138,690,777	237,951,641
Lease liability	11,607,391	-	11,607,391
Other liability	2,303,786,657	-	2,303,786,657
Provisions	1,378,693,089	-	1,378,693,089
Subordinated bonds	3,132,500,000	-	3,132,500,000
	150,729,520,298	2,326,340,777	153,055,861,075
Total liabilities	3,555,205,540	-	3,555,205,540
Shareholders' equity			
Total liabilities and shareholders' equity	154,284,725,838	2,326,340,777	156,611,066,615

47 LIQUIDITY RISK (continued)

Maturity analysis of assets and liabilities (continued)

The maturity profile of the assets and liabilities at 31 December 2023 is as follows:

	Total less than one year LBP000	*Total more than one year LBP000*	*Total LBP000*
Assets			
Cash and deposits with central banks	19,683,970,962	2,529,179,885	22,213,150,847
Deposits with banks and financial institutions	706,144,462	-	706,144,462
Financial assets at fair value through profit or loss	81,566,217	235,218	81,801,435
Loans and advances to customers and related parties	830,756,621	39,889,070	870,645,691
Investments securities	1,148,433,185	1,839,057,081	2,987,490,266
Assets acquired in satisfaction of loans	2,585,121	-	2,585,121
Property, plant and equipment	1,713,371,330	-	1,713,371,330
Right-of-use assets	1,369,021	-	1,369,021
Intangible assets	702,704	-	702,704
Other assets	104,163,441	-	104,163,441
Total assets	24,273,063,064	4,408,361,254	28,681,424,318
Liabilities and shareholders' equity			
Deposits and borrowing from banks and financial institutions	4,714,987,948	399,905,625	5,114,893,573
Customers and related parties accounts at amortized cost	20,355,899,879	-	20,355,899,879
Other term borrowings	43,334,155	76,771,757	120,105,912
Lease liability	4,239,030	-	4,239,030
Other liability	222,441,541	-	222,441,541
Provisions	260,341,277	-	260,341,277
Subordinated bonds	543,526,178	-	543,526,178
	26,144,770,008	476,677,382	26,621,447,390
Total liabilities	2,059,976,928	-	2,059,976,928
Shareholders' equity			
Total liabilities and shareholders' equity	28,204,746,936	476,677,382	28,681,424,318

48 NON-FINANCIAL RISKS

Non-Financial Risks (including Operational, Information and Cyber Security, as well as Business Disruption risks) are administered by an independent function reporting to the Group Chief Risk Officer.

Non-Financial risks are managed across the Group based on a set of principles and standards detailed in the Board-approved Group Operational Risk Policy and the Corporate Information Security Policy. These principles and standards include at a minimum: redundancy of mission-critical systems, segregation of duties, least-privilege principle, four-eye principle, independency of employees performing controls, reconciliations, and establishment of second level controls, mandatory vacations, awareness and training. Controls are also embedded within systems and formalised in policies and procedures.

Incidents are captured and analysed to identify their root causes. Based on this analysis, corrective and preventive measures are recommended to prevent future reoccurrences. Furthermore, Risk and Control Assessments (RCAs) are conducted to identify outstanding risk exposures and control vulnerabilities associated with existing or new products, processes, activities and systems. Key Risk Indicators (KRIs) are also developed and monitored periodically to detect breaches and alarming trends. Recommendations to improve the control environment are communicated to concerned parties and issues are escalated to Management as deemed necessary.

Following October 2019 events, the Bank has been subject to an increased compliance risk pressure as a result of the considerable number of regulatory circulars and memos issued since that date. These regulatory requirements, in addition to changes in the operating environment, have necessitated rapid system developments/updates and implementation of new processes, which also required adequate training to employees.

To ensure the continuity and timely resumption of critical business activities due to the potential risk of system disruptions or other unforeseen events, the Bank has been continuously maintaining a world-class business continuity and disaster recovery site. A Business Continuity Plan (BCP) was also developed and is being kept up-to-date to minimise the risk of interruption of critical operations in case of an adverse event. Business Continuity and Disaster Recovery rehearsals are also being conducted periodically to maintain a high operational resilience.

The Group is also abreast of latest cybersecurity threats, countermeasures, technologies and tools, and is continuously implementing technical and non-technical measures to strengthen its cyber resilience posture. External expert support is sought when needed.

Major incidents, RCA findings, KRI levels, business continuity actions and, information and cybersecurity activities are reported to the Executive Committee, Board Group Risk Committee, and Board of Directors periodically.

Insurances coverage (including cybercrime insurance) is used as an additional layer of mitigation and is commensurate with the Group business activities, in terms of volume, nature and operating environment.

49 LITIGATION RISK

Since 17 October 2019, no litigations in Lebanon and abroad, as a result of the restrictive measures adopted by Lebanese banks in relation to the withdrawal of funds and transfers abroad, as well as in relation to the repayment by customers of local foreign currency loans in Lebanese Pounds. There are still uncertainties related to the consequences of these restrictive measures, based on the current available information and the prevailing laws and local banking practices. The amount cannot be determined presently. In addition, the Group may, from time to time, become involved in other legal or arbitration proceedings which may affect its operations and results. Litigation risk arises from pending or potential legal claims against the Group (Note 43).
Complaints have also been filed by groups of individuals against "Lebanese banks" and the chairmen of their board of directors for alleged committed crimes of tort and fraudulent bankruptcy, money laundering, fraud and breach of trust, which resulted in different legal decisions and actions on several banks. With respect to Banque BEMO SAL, no major complaints against the Bank, chairman and BOD members.

50 POLITICAL RISK

External factors which are beyond the control of the Group, such as political developments and government actions in Lebanon (Note 1) and other countries may adversely affect the operations of the Group, its strategy and prospects. Other important political risk factors include government intervention on the Group's activities and social developments in the countries in which the Group operates, political developments in Lebanon, and political or social unrest or military conflict in neighbouring countries and/or other overseas areas. Given the above, the Group recognises that unforeseen political events can have negative effects on the fulfilment of contractual relationships and obligations of its customers and other counterparties which will result in significant impact on Group's activities, operating results and position.

51 CAPITAL MANAGEMENT

The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Central Bank of Lebanon, which is the lead supervisor of the Group.

Central Bank of Lebanon Intermediate Circular 567, issued on 26 August 2020, Intermediate Circular 649, issued on 24 November 2022, Intermediate Circular 659, issued on 21 January 2023, Intermediate Circular 685, issued on 28 December 2023, and Intermediate Circular 689 issued on 2 February 2024 introduced several key changes to the calculation of regulatory capital adequacy ratios. These changes include:

- Raising the regulatory expected credit loss level for Lebanese government securities in foreign currency and Lebanese government-related exposures in same currency from 9.45% to 45% initially and then again to 75% (the latter level to be reached by 31 December 2026). Regulatory ECL for other exposures remain unchanged. These levels remained applicable in 2023.

Type of financial instrument	*2024*	*2023*
Exposures to Central Bank of Lebanon in foreign currency	1.89%	1.89%
Exposures to Central Bank of Lebanon in Lebanese Pounds	0%	0%
Lebanese government securities in foreign currency	75%	75%
Lebanese government securities in Lebanese Pounds	0%	0%

  The Group recorded expected credit losses on Lebanese government securities in foreign currency equivalent to a loss rate of 75% (2023: 67%) relative to a loss rate of 75% by 31 December 2026.

- Requesting banks to increase their own funds (capital) by an amount equivalent to 20% of their Common Equity Tier 1 capital as of 31 December 2018, through issuing new foreign currency capital instruments, as well as other approaches that meet the criteria for inclusion as regulatory capital. The deadline for raising capital was initially set at 31 December 2020, but was later extended for the banking sector to 28 February 2021. The Central Bank of Lebanon's Central Council may exceptionally approve a bank's completion of 50% of the 20% required capital increase through the transfer of real estate assets owned by the shareholders to the concerned bank. However, these real estate assets must be liquidated during a 5-year period following regulatory approval date on this transaction.

- As a result of the change in regulation and the change in the official published exchange rate from LBP 15,000 to the US Dollar to LBP 89,500 to the US Dollar, Common Equity Tier 1 increased by LBP 335,765 million as at 31 December 2024 compared to 31 December 2023.

- Exceptionally during 2023 and 2024, allowing banks to draw down the 2.5% capital conservation buffer on condition of rebuilding it based on future instructions by the Central Bank of Lebanon.

51 CAPITAL MANAGEMENT (continued)

- Exceptionally for 2020 and 2021, allowing banks to include provisions for expected credit losses on Stage 1 and 2 exposures, excluding those relating to Lebanese sovereign and the Central Bank of Lebanon, under regulatory Common Equity Tier 1 (previously only stage 1 allowances were included in Tier 2 capital, subject to a 1.25% cap relative to credit risk-weighted assets). Such provisions included under CET 1 should be amortised over a period of 3 years starting 2022 and ending in 2024 by 25% yearly. Amounts included as at 31 December 2024 were LBP685,400 million (2023: LBP 7,991 million). The net increase resulted from appropriation of provision despite an increase from the published official exchange rate from LBP 15,000 to the US Dollar to LBP 89,500 to the US Dollar.

- Exceptionally during 2023 and 2024, allowing banks to draw down the 2.5% capital conservation buffer on condition of rebuilding it based on future instructions by the Central Bank of Lebanon.

- Prohibiting banks from distributing dividends if capital adequacy ratios drop below 7% for Common Equity Tier 1, 10% for Tier 1 and 12% for total capital (compared to the regulatory minimum limits of 7%, 8.5% and 10.5% respectively, including a 2.5% capital conservation buffer).

- Exceptionally for 2022 and 2023, allowing banks to include under CET 1 part of the losses resulting from the purchase of local dollars from the Central Bank of Lebanon against Lebanese Pound for the purpose of reducing open net FX short positions prior to 17 November 2022. In 2022, 66% of these losses can be included under CET 1, while in 2023, a maximum of 33% level applies. Amounts included as at 31 December 2023 under CET 1 were LBP 4,279 million.

The following table shows the applicable regulatory capital ratios:

	Common Tier 1 Capital Ratio	*Tier 1 Capital Ratio*	*Total Capital Ratio*
31 December 2024			
Minimum required capital ratios (including 0.75% applicable capital conservation buffer)	4.50%	6.00%	8.00%
With the full capital conservation buffer of 2.5% (applicable in 2024)	6.25%	7.75%	9.75%
31 December 2023			
Minimum required capital ratios (including 0.75% applicable capital conservation buffer)	4.50%	6.00%	8.00%
With the full capital conservation buffer of 2.5% (applicable in 2024)	6.25%	7.75%	9.75%

	2024 LBP000	*2023 LBP000*
Risk-weighted assets:		
Credit risk	106,325,234,000	20,131,414,000
Market risk	6,795,562,030	579,748,000
Operational risk	3,964,112,900	859,301,000
Total risk-weighted assets	117,084,908,930	21,570,463,000

The regulatory capital including net loss for the year as of 31 December is as follows:

	2024 LBP000	*2023 LBP000*
Tier 1 capital	629,891,000	373,822,000
Of which: common Tier 1	*536,087,000*	*280,018,000*
Tier 2 capital	1,329,065,000	356,633,000
Total capital	1,958,956,000	730,455,000

51 CAPITAL MANAGEMENT (continued)

The capital adequacy ratio including net loss for the year as of 31 December is as follows:

	2024	*2023*
Capital adequacy – Common Tier 1	0.46%	1.30%
Capital adequacy – Tier 1	0.54%	1.73%
Capital adequacy – Total capital	1.67%	3.39%

The capital adequacy ratios as at 31 December 2024 and 2024 were calculated based on the recorded figures and do not take into consideration the adjustments that may result from the resolution of the uncertainties reflected in Note 1. Due to the high levels of uncertainties, the lack of observable reliable indicators, the high gap between the currency parallel market rates, the Sayrafa rate and the official published exchange rate, and the lack of visibility on the government's plans with respect to: (a) the high exposures of Lebanese banks with the Central Bank of Lebanon, (b) the Lebanese sovereign securities, and (c) the currency exchange mechanisms and currency exchange rates that will be applied, Management is unable to estimate in a reasonable manner the impact of these matters on the Group's capital adequacy. Management has concerns about the effects that the above matters will have on the capital of the Group and the recapitalisation needs that may arise once the necessary adjustments are determined and recorded, in particular as a first step, the needs and implications that might result from the accounting for the subsequent change in the official published exchange rate.

52 CORRECTION OF ERRORS AND OTHER RESTATEMENTS

Management has adjusted its financial statements retrospectively by restating prior year balances as per the requirements of "IAS 8 – Accounting policies, Changes in Accounting Estimates and Errors" to record land and building at fair value which was determined using the market comparable method. The valuations have been performed by BDL expert. As at the date of revaluation, the properties' fair value is based on valuation carried out by BDL expert accredited by the local regulator (BDL), approved by BDL on 13 February 2025 (matters subject to modification of the auditors' report on the financial statements of the previous year). Accordingly, the respective adjustments have been performed.

The effects of these corrections on the financial statements are presented below.

Consolidated statement of financial position as at 31 December 2023

	As previously reported 31.12.2023 LBP000	*Restatement LBP000*	*As restated 31.12.2023 LBP000*
ASSETS			
Property, plant and equipment	85,435,251	1,627,936,079	1,713,371,330
EQUITY			
Revaluation reserve	16,914,064	1,627,936,079	1,644,850,143