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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 2025, 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 2025 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, due to the complexity of the standard and the lack of reliable economic and financial indicators from governmental bodies necessary for the application of this standard, the Group was unable to apply the requirements of IAS 29 - Financial Reporting in Hyperinflationary Economies ("IAS 29") for the year ended 31 December 2025.
In addition, based on the Law No. 330, enacted on 4 December 2024, with implementing decisions issued by the Ministry of Finance on 12 March 2025 and 1 August 2025, the Group determined the carrying amount of lands and real estate in Lebanon based on a valuation performed by an accredited external independent valuer in US Dollars and then translated it to Lebanese Pounds at LL 89,500 for the US Dollar as at 31 December 2025 and 31 December 2024. The revaluation surplus amounting to LBP.2,989 billion (2024: LBP.3,002 billion) was recognized in other comprehensive income for the year ended 31 December 2025. In accordance with IAS 29, the historical cost should be restated from the date of acquisition by applying the general price index, and then compared to the appraised amount with the difference treated as required by IAS 16 – Property, Plant and Equipment ("IAS 16"); and subsequently, the appraised carrying amount should be restated from the date of the appraisal by applying the general price index. In addition, due to the lack of information and visibility on the impact of the current macroeconomic crisis in Lebanon, we were unable to conclude on the adequacy of the appraised amount.
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 2024, 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 2024 was also modified for the same reasons.
The above has a material and pervasive effect on the fair presentation of the consolidated financial statements. The effects on the consolidated financial statements from this departure have not been determined. Our opinion for the year ended 31 December 2024 was also modified for same reasons.

Basis for Adverse Opinion (continued)

2- As disclosed in Note 1 to the consolidated financial statements, the Group used in 2025 and 2024 the official exchange rates published by the Central Bank of Lebanon for the translation of its transactions and monetary assets and liabilities denominated in foreign currencies to the Group's functional currency (i.e. Lebanese Pound).
Starting January 2024, the official exchange rate was set at LL 89,500 to the US Dollar, aligning the rate with the prevailing market. As required by the Central Bank of Lebanon, the Group used this rate to translate all its monetary items including foreign currency accounts subject to de-facto capital controls, which constituted a departure from IAS 21 "The effects of Changes in Foreign Exchange rates", as this official exchange rate deviates significantly from the rate by which the future cash flows, from the accounts subject to de-facto capital controls, could have been settled or collected had these cash flows occurred at the measurement date. Had the Group applied the requirements of IAS 21 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 this departure have not been determined. Our opinion for the year ended 31 December 2024 was also modified for same reasons.

3- Cash and deposits with central banks which are carried in the consolidated statement of financial position, net of expected credit losses, at LBP.139,043 billion (2024: LBP.133,114 billion), include balances held with Central Bank of Lebanon of LBP.138,470 (2024: LBP.132,309). Deposits with banks and financial institutions which are carried in the consolidated statement of financial position, net of expected credit losses, at LBP.1,775 billion (2024: LBP.4,014 billion) include deposits with local banks amounting to LBP.389 billion (2024: LBP.161 billion).
Financial assets at fair value through profit or loss, which are carried in the consolidated statement of financial position at LBP.434 billion (2024: LBP.440 billion) include shares concentrated in Lebanon amounting to LBP.434 billion (2024: Lebanese treasury bills, Lebanese government debt securities and shares concentrated in Lebanon amounting to LBP.214 million, LBP.1,221 million, LBP.439 billion respectively).
Investment securities, which are carried in the consolidated statement of financial position, net of expected credit losses, at LBP.4,028 billion (2024: LBP. 12,630 billion) include investment securities at amortized cost amounting to LBP.3,374 billion (2024: LBP.12,069 billion) and financial assets at fair value through other comprehensive income amounting to LBP.654 billion (2024: LBP.561 billion). Investment securities at amortized cost amounting to LBP.3,374 billion (2024: LBP.12,069 billion), include Lebanese government debt securities and certificates of deposit issued by the Central Bank of Lebanon amounting to LBP.26 billion and LBP.3,338 billion respectively (2024: LBP.1,806 billion and LBP.10,162 billion respectively). Financial assets at fair value through other comprehensive income amounting to LBP.654 billion (2024: LBP.561 billion) include equity securities amounting to LBP.472 billion domiciled in Lebanon (2024: Same).

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

Basis for Adverse Opinion (continued)

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 43, 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 2025 and 31 December 2024 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 2024 was also modified for the same reasons as explained above.

4- Loans and advances to customers and related parties which are carried in the consolidated statement of financial position at LBP.1,877 billion (2024: LBP.3,026 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 2024 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 2025 and 2024, 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 2024, 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.

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

Basis for Adverse Opinion (continued)

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, 47A and 50. 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 2024 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 2025. Except for the matters described in the "*Basis for Adverse Opinion*" section of our report, we have determined that there are no other key audit matters to communicate in our report.

Responsibilities of Management and Those Charged with Governance for the 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.

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

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.
6 July 2026
Beirut, Lebanon

DFK Fiduciaire du Moyen Orient

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2025

	Notes	2025 LBP000	Restated* 2024 LBP000
ASSETS			
Cash and deposits with central banks	4	139,042,953,482	133,113,725,239
Deposits with banks and financial institutions	5	1,774,677,102	4,013,853,927
Financial assets at fair value through profit or loss	6	434,136,755	440,483,967
Loans and advances to customers and related parties	8	1,877,338,045	3,025,632,518
Customer's liability under acceptances	11	18,930,549	-
Investments securities	9	4,028,528,341	12,630,072,187
Assets acquired in satisfaction of loans	12	30,349,450	30,349,450
Property, plant and equipment	13	2,953,782,916	2,996,016,105
Right-of-use assets	7	39,112,163	885,362
Intangible assets	14	52,753,577	15,435,182
Other assets	15	295,660,140	370,061,698
TOTAL ASSETS		150,548,222,520	156,636,515,635
FINANCIAL INSTRUMENTS WITH OFF-FINANCIAL POSITION RISK:	38		
Guarantees, Contingent liabilities and Commitments		934,184,323	655,608,837
Forward exchange contracts		1,927,813,175	2,068,326,809
FIDUCIARY DEPOSITS AND ASSETS UNDER MANAGEMENT	39	2,463,613,950	4,156,735,040
LIABILITIES			
Deposits and borrowings from banks and financial institutions	16	26,735,123,250	30,910,813,156
Customers and related parties accounts at amortized cost	17	113,948,266,652	115,080,509,141
Liability under acceptances	11	19,121,766	-
Other term borrowings	18	209,978,533	237,951,641
Lease liability	7	41,870,239	11,607,391
Other liabilities	19	2,001,011,547	2,303,786,657
Provisions	20	798,087,409	1,378,693,089
		143,753,459,396	149,923,361,075
Subordinated bonds	21	3,132,500,000	3,132,500,000
TOTAL LIABILITIES		146,885,959,396	153,055,861,075
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital	22	77,810,000	77,810,000
Treasury shares	22	(2,857,660)	(2,857,660)
Preferred shares	23	52,641,854	52,641,854
Shareholders' cash contribution to capital	24	70,267,271	70,267,271
Reserves	25	88,300,500	88,300,500
Accumulated Losses		(265,998,926)	(45,335,755)
Revaluation reserve	25	2,989,248,808	3,002,004,229
Change in fair value of financial assets at fair value through other comprehensive income	26	617,276,801	531,893,948
Foreign currency translation reserve		-	(4,692,020)
Profit (loss) for the year		4,042,755	(232,064,650)
		3,630,731,403	3,537,967,717
NON-CONTROLLING INTERESTS		31,531,721	42,687,043
TOTAL EQUITY		3,662,263,124	3,580,654,560
TOTAL LIABILITIES AND EQUITY		150,548,222,520	156,636,515,635

(*) Restated for the effects of the matters disclosed in note 53.

CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 LBP000	Restated* 2024 LBP000
Interest income	27	780,686,013	746,514,801
Tax on interest	27	(26,733,512)	(36,881,702)
Interest income (net of tax)		753,952,501	709,633,099
Interest expense	28	(339,888,854)	(755,968,249)
Net interest income		414,063,647	(46,335,150)
Fee and commission income	29	581,295,574	767,540,327
Fee and commission expense	30	(30,529,047)	(26,237,515)
Net fee and commission income		550,766,527	741,302,812
Net interest and other gains on financial assets at fair value through profit or loss	31	(51,612,562)	21,676,938
Net interest and other losses on financial assets at amortised cost	9	(105,742,744)	-
(Loss) profit on exchange (net)	32	(93,863,672)	1,200,255,908
Other operating income (net)	33	207,973,488	172,734,246
Total operating income		921,584,684	2,089,634,754
Write-back (provision) for expected credit losses, (net)	34	329,886,615	(1,556,477,347)
Net operating income		1,251,471,299	533,157,407
Staff costs	35	(602,399,463)	(403,545,134)
Administrative expenses	36	(565,231,512)	(444,517,250)
Depreciation and amortisation	13-14	(114,221,490)	(73,313,882)
Depreciation of right-of-use assets	7	(11,672,433)	(8,416,379)
Other income (net)	37	40,218,051	280,194,583
		(1,253,306,847)	(649,598,062)
Loss before income tax		(1,835,548)	(116,440,655)
Income tax expense		(1,938,778)	(153,489,759)
Loss for the year		(3,774,326)	(269,930,414)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of investment securities	26	85,382,853	345,046,787
Revaluation, (net)	25	-	1,382,225,719
Net other comprehensive income – Profit		85,382,853	1,727,272,506
Total comprehensive income – Profit		81,608,527	1,457,342,092
Attributable to:			
Equity holders of the parent		(87,412,504)	1,252,907,631
Non-controlling interests		169,021,031	204,434,461
		81,608,527	1,457,342,092

(*) Restated for the effects of the matters disclosed in note 53.

The attached notes 1 to 54 form part of these financial statements.

BANQUE BEMO S.A.L.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	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*	*Profit (loss) for the year* *LBP000*	*Total attributable to the equity holders of the Bank* *LBP000*	*Non-controlling interests* *LBP000*	*Total* *LBP000*
Balance at 1 January 2025	77,810,000	(2,857,660)	52,641,854	70,267,271	88,300,500	(45,335,755)	3,002,004,229	531,893,948	(4,692,020)	(232,064,650)	3,537,967,717	42,686,843	3,580,654,560
Loss for the year	-	-	-	-	-	-	-	-	-	4,042,755	4,042,755	(7,817,081)	(3,774,326)
Other comprehensive income	-	-	-	-	-	-	-	85,382,853	-	-	85,382,853	-	85,382,853
Total comprehensive income	-	-	-	-	-	-	-	85,382,853	-	4,042,755	89,425,608	(7,817,081)	81,608,527
Transfer to retained earnings	-	-	-	-	-	(232,064,650)	-	-	-	232,064,650	-	-	-
Appropriation of 2024 results	-	-	-	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	11,401,479	-	-	4,692,020	-	16,093,499	16,142,023	32,235,522
Disposal of Revalued assets	-	-	-	-	-	-	(12,755,421)	-	-	-	(12,755,421)	(19,480,064)	(32,235,485)
Application of Law 330 (Net) (note 25)	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2025	**77,810,000**	**(2,857,660)**	**52,641,854**	**70,267,271**	**88,300,500**	**(265,998,926)**	**2,989,248,808**	**617,276,801**	**-**	**4,042,755**	**3,630,731,403**	**31,531,721**	**3,662,263,124**
Balance at 1 January 2024 (Restated)	77,810,000	(2,857,660)	52,641,854	70,267,271	87,837,568	(80,491,074)	1,658,402,972	186,847,161	58,732	4,448,274	2,054,965,098	35,033,954	2,089,999,052
Loss for the year	-	-	-	-	-	-	-	-	-	(232,064,650)	(232,064,650)	(37,865,764)	(269,930,414)
Other comprehensive income	-	-	-	-	-	-	-	345,046,787	-	-	345,046,787	-	345,046,787
Total comprehensive income	-	-	-	-	-	-	-	345,046,787	-	(232,064,650)	112,982,137	(37,865,764)	75,116,373
Transfer to retained earnings	-	-	-	-	-	4,448,274	-	-	-	(4,448,274)	-	-	-
Appropriation of 2023 results	-	-	-	-	462,932	-	-	-	-	-	462,932	-	462,932
Other movements	-	-	-	-	-	30,707,045	-	-	(4,750,752)	-	25,956,293	41,144,887	67,101,180
Application of Law 330 (Net) (note 25)	-	-	-	-	-	-	1,343,601,257	-	-	-	1,343,601,257	4,373,766	1,347,975,023
Balance at 31 December 2024 (Restated)	77,810,000	(2,857,660)	52,641,854	70,267,271	88,300,500	(45,335,755)	3,002,004,229	531,893,948	(4,692,020)	(232,064,650)	3,537,967,717	42,686,843	3,580,654,560

(*) Restated for the effects of the matters disclosed in note 53.

BANQUE BEMO S.A.L.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Notes	2025 LBP000	Restated 2024 LBP000
Cash flows from operating activities			
Loss before tax		(1,835,548)	(116,440,655)
Adjustments for:			
Depreciation and amortisation		114,221,490	73,313,882
Depreciation right of use, (net)		7,924,441	8,503,042
Interest expense – Finance lease liability		1,709,029	1,311,550
Provisions for contingencies		-	372,500
Write back of provision for contingencies		2,345,951	-
Write back of foreign currency position		-	(231,654)
Provision for expected credit losses, (net)		(329,886,615)	1,560,333,893
Non-controlling interests		(7,817,081)	(30,728,246)
Provision for employees' end-of- service indemnities		86,835,228	37,868,045
Assets disposed of in satisfaction of loans		-	373,662,500
Unrealized gain on financial assets at fair value through profit or loss		55,559,437	(20,333,587)
Gain from sale of property, Plant and equipment		(16,102,518)	(1,012,800)
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		(3,181,492,226)	(24,119,931,502)
Increase in trading assets at fair value through profit or loss		(49,212,225)	(338,348,945)
Decrease in loans and advances to customers and related parties		1,684,592,483	1,084,009,190
Decrease/ increase in other assets		70,941,386	(269,754,803)
Increase/ decrease in non-interest earning compulsory reserve		(123,439,332)	(21,498,068)
Decrease/ increase in due to banks and financial institutions		(4,175,689,905)	25,795,919,583
Decrease in other borrowings		(27,973,109)	(158,192,555)
Decrease in customers' and related parties' deposits at amortised cost		(1,132,242,489)	(5,312,573,728)
Decrease/ increase in other liabilities		(302,775,110)	2,094,979,246
Foreign currency translation movement, (Net)		-	132,556,457,170
Settlement of employees' end-of-services indemnity		(11,307,334)	(4,085,758)
Taxes paid		-	(13,634,130)
Net cash (used in) generated from operating activities		(7,335,644,047)	133,047,308,086
Net cash from investing activities			
Investment securities		14,030,349,002	(27,360,863,286)
Acquisition of property, plant and equipment		(77,883,271)	(142,599,798)
Proceeds from sale of property, plant and equipment		223,750	17,900,000
Proceeds from sale of assets acquired in satisfaction of loans		-	254,182,764
Acquisition of intangible assets		(42,394,655)	(16,257,577)
Net cash generated from (used in) investing activities		13,910,294,826	(27,247,637,897)
Cash flows from financing activities			
Settlement of lease liability		(16,415,726)	(12,631,732)
Subordinated bonds		-	18,526,178
Net cash (used in) generated from financing activities		(16,415,726)	5,894,446
Net increase in cash and cash equivalents		6,558,235,053	105,805,564,635
Cash and cash equivalents - Beginning of year		121,064,669,794	15,259,105,159
Cash and cash equivalents - End of year	41	127,622,904,848	121,064,669,794

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 6 July 2026 by the Board of Directors.

The consolidated subsidiaries consist of the following as at 31 December 2025 and 2024:

	Ownership		*Country of incorporation*	*Business activity*
	2025	*2024*		
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).

International Monetary Fund
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. The Lebanese Government has renewed negotiations with the IMF post Cabinet formation this year to reach a new SLA with prior actions to be undertaken by Lebanon before a Board agreement could be reached. In a statement in September, the IMF said that the authorities have made progress in developing a strategy to address the severe banking sector challenges. The recent approval of the Bank Resolution Law reflects the dedicated efforts of all stakeholders, though the legislation needs further refinement. The IMF team has suggested amendments to fully align it with international standards and ensure the effectiveness of bank restructuring processes. The IMF believes the authorities should continue working to develop the strategy to recognize and allocate losses and restore the viability of the banking sector consistent with international standards, protection of small depositors, and sustainability of public debt.

Banking Secrecy Bill
Lebanese MPs approved on 24 April 2025 a long-awaited bill lifting banking secrecy, a key reform on which financial assistance from the International Monetary Fund (IMF) is dependent. Parliament specified that the new banking secrecy law applies retroactively for 10 years, covering the start of the economic crisis. Lebanon has long-standing and strict rules on the confidentiality of bank accounts, which critics say leaves the country vulnerable to money laundering. The amendments authorize "banking supervisory and regulatory bodies to request access to all information" without providing any details and. These bodies will be able to access information such as customer names and deposit details, and investigate any suspicious activities.

Amendments to the Code of Money and Credit:
The Lebanese Parliament has recently passed amendments to Decree No.13513 named The Code of Money and Credit. The amendments targeted Section 2-7 of the law, which tackles money creation and the values of issued currency. Within the amendment, the Lebanese Parliament has afforded Banque du Liban (BDL) the right to issue two new banknotes with a value of LBP 500,000 and LBP 1,000,000 while also aiming to preserve the current value of currency in circulation. This move comes amid the devaluation of the Lebanese currency by more than 98% since the onset of the crisis in 2019.

Banking Restructuring
On 12 April 2025, the Cabinet approved the draft banking reform law which is yet to be approved by the Parliament. Its implementation is contingent on the passage of the financial gap law, highlighting the interdependence of the three core reforms: lifting banking secrecy, restructuring banks, and closing the financial gap. It was ratified by Parliament on 31 July 2025.

The law introduces a full legal framework for intervening in the operations of failing banks, with the aim of protecting depositors, safeguarding financial stability, and ensuring the continuity of essential banking services. As a starting point, banks are required to meet minimum capital and liquidity requirements that will be specified in the financial gap law. The law clearly outlines the conditions under which a bank is deemed to be failing or likely to fail, and introduces several restructuring tools such as recapitalization, forced mergers, and asset separation.

1 CORPORATE INFORMATION (continued)

1.1. Macroeconomic Environment (continued)

Banking Restructuring (continued)

At the heart of the draft law is the creation of a Bank Restructuring Authority, a specialized independent body tasked with overseeing the resolution process of distressed financial institutions. This authority would have sweeping powers, including the ability to initiate bank restructuring, appoint independent valuers, enforce asset transfers, and if necessary, trigger liquidation procedures.

On 22 April 2026, the Ministry of Finance submitted to the Council of Ministers a proposal to withdraw the draft law previously referred to Parliament under Decree No. 1992 dated 4 December 2025. Said draft law aimed at introducing amendments to selected provisions of Law No. 23 of 14 August 2025 concerning the reform and restructuring of banks in Lebanon. The proposal came in response to the Constitutional Council's decision issued on 3 October 2025, as well as to observations and recommendations communicated by the International Monetary Fund (IMF). Concurrently, the Ministry requested the approval of a newly revised draft law amending Law No. 23/2025. Consequently, on 30 April 2026, the Council of Ministers endorsed a decree formally withdrawing the earlier draft law submitted to Parliament pursuant to Decree No. 1992. It also approved a revised amendment bill reflecting several remarks raised by both the Constitutional Council and the IMF, together with a draft decree providing for the transmission of the updated text to Parliament.

The Ministry of Finance further stated that on 5 September 2025, a group of Members of Parliament filed an appeal before the Constitutional Council challenging a number of provisions contained in the law. Following its review of the appeal, the Constitutional Council rendered its decision in October 2025. The Ministry also noted that the IMF viewed Law No. 23, enacted by the Lebanese Parliament on 31 July 2025, as falling short of alignment with internationally recognized standards and practices. In the IMF's assessment, the law contains several structural weaknesses, notably with respect to the independence of the Resolution Authority, the autonomy and reliability of valuation mechanisms, the enforceability of resolution measures, and the legal protections afforded to entities responsible for implementing such measures. Additional technical shortcomings were also identified, which, according to the IMF, collectively undermine the legal robustness and operational efficiency of the framework. Law No. 23, promulgated on 31 July 2025, establishes the legal framework governing the restructuring and resolution of the Lebanese banking sector and comprises 37 articles addressing the mechanisms for restructuring and/or liquidating banks.

Financial Gap Law in preparation
The banking restructuring challenge revolves around whether the State would be able to implement a gap law within the upcoming months, prior to the parliamentary elections in May 2026, after which the Cabinet will turn into Caretaker Cabinet until the formation of a new Cabinet. The Gap Law will overview the treatment of Lollar and Dollar deposits in the banking sector. Such a gap law is the most important one to normalize banking activity and move out of troubled waters.

It focuses on:
- Defining the financial gap,
- Identifying irregular transactions/assets,
- Determining how losses are absorbed,
- Setting rules for deposit settlement,
- And creating a Deposit Recovery Fund backed by Asset Backed Securities (ABS)

On 27 December 2025, the Cabinet approved the draft Financial Regularisation and Deposit-Recovery law and transmitted it to Parliament.

It remains unclear how the events mentioned above will evolve, and the Group continues to monitor the situation closely. Any and all such events mentioned above will add up to the already material adverse prospects on the Group's business, financial condition, results of operations, prospects, liquidity and capital position.

1 CORPORATE INFORMATION (continued)

1.2. Regulatory Environment (continued)

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...). Banks are requested to maintain at all times an amount equivalent to those funds in the form of (i) cash held in vaults at the Bank's premises, (ii) offshore accounts held with correspondents and (iii) "cash money" accounts held with BDL as per Basic Circular 165 definition. Intermediate Circular 715 issued on 21 November 2024 expanded the scope to include sovereign debts instruments issued by G10 countries and debt instruments rated "BBB" and above on the condition they are held at fair value.

- 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, 2024 and 2025 were subsequently added by way of Intermediate Circulars 616, 659, 676, 726 and 741 respectively).
  - 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.

1 CORPORATE INFORMATION (continued)

1.2. Regulatory Environment (continued)

- 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%. Intermediate Circular 741 issued on 10 September allows banks to annually revalue real estate assets owned directly or through real estate companies until 31 December 2026 under Article 153 of the Code of Money and Credit and allows inclusion of 75% of revaluation gains in Tier 1 capital subject to Central Bank verification and completion by 31 December 2026. Revaluation must be in fresh USD and recorded in LBP at specified rates (LBP 1,507.5 to the US Dollar until 31 January 2023; LBP 15,000 to the USD Dollar until 31 January 2024; LBP 89,500 to the US Dollar until 31 May 2025; and at the official platform rate from 1 June 2025 onward). Similar provisions apply to fixed assets acquired through debt settlement under Article 154 with the same conditions and deadlines.
- 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 allowed a full draw down of the 2.5% buffer during years 2023, 2024, 2025, and 2026. Central Bank of Lebanon will issue future instructions for reconstitution of capital.
- Intermediate Circular 740 issued on 29 August 2025 temporarily allows banks to reduce the "Capital Conservation Buffer" below the required 2.5% for the years 2023–2025, with gradual restoration per future BDL instructions extended for year 2026 by Intermediate Circular 760 issued on 4 May 2026.
- 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 (extended to 8-year term following Intermediate Circular 707 date 20 September 2024) "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, and without a minimum threshold.

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 (cash on premises and 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. This requirement was subject to several amendments; the latest (Intermediate Circular 707) considered foreign currency deposits as at 31 July 2024 as the basis for the computation instead of 31 July 2020, thus lowering liquidity required levels as customers' deposits decreased over the period. Besides, it extended the date to comply to be 31 December 2025 instead of 28 February 2021. Also it added to the numerator Lebanese sovereign Eurobonds as well as US Treasury and Investment grade foreign debt instruments on the condition they are held at fair value. Intermediate Circular 716 issued on 21 November 2024 expanded again the scope to include sovereign debts instruments issued by G10 countries and debt instruments rated "BBB" and above held at fair value.
- 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.

- 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.

  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 USD 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). The yearly cycle requirement was later on removed by Intermediate Circular 717 issued on 26 November 2024.

  During 2024 several intermediary circulars were issued granting additional payments to beneficiaries of Basic Circular 158 (2 in October 2024, 1 for each month from November 2024 to January 2025) All additional payments were financed from the Bank's compulsory reserves with BDL in foreign currency.
  Intermediate circular 729 issued on 20 February 2025 increased the monthly payment to be $500 for all beneficiaries of Basic Circular 158. The monthly payment was further increased to $800 (Intermediate circular 736 issued on 18 June 2025). Intermediate Circular 746 issued on 28 November 2025 increased the monthly payment by $200 to be $1,000 that can only be used through POS. These additional amounts were financed from the Bank's compulsory reserves with BDL in foreign currency.

1 CORPORATE INFORMATION (continued)

1.2. Regulatory Environment (continued)

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 then from 14% to 11% as per BdL Intermediate Circular 731 issued on 27 March 2025 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 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, 2023, 2024 and 2025 were added through Intermediate Circular 659, 676, 726 and 741 respectively).

- 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.

1 CORPORATE INFORMATION (continued)

1.2. Regulatory Environment (continued)

- 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 738 issued on 18 June 2025 extended the deadline to 31 December 2025. Intermediate Circular 749 issued on 30 December 2025 amended the interest reduction from 75% to 90%.

- Intermediate Circular 656 issued on 20 January 2023 stating that Banks and financial institutions operating in Lebanon must not accept the repayment of loans granted in foreign currencies to non-residents, of which off-shore companies, except through incoming cross-border transfers of fresh funds.

- 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 October 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 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 Intermediate Circular 730 issued on 20 February 2025 circular stated that excesses over set limits whether long or short should be liquidated by 31 December 2025. Intermediate Circular 755 issued on 9 January 2026 extended the deadline for short FX open position to 31 December 2026 and Intermediate Circular 762 issued on 8 May 2026 extended the deadline for long FX open position to 31 December 2026

- 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). This circular was later amended on 29 August 2025 by Intermediate Circular 740 including year 2025.

- 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.

1 CORPORATE INFORMATION (continued)

1.2. Regulatory Environment (continued)

- 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). The yearly cycle requirement was later on removed by Intermediate Circular 718 issued on 26 November 2024.

  During 2024 several intermediary circulars were issued granting additional payments to beneficiaries of Basic Circular 166 (2 in October 2024, 1 for each month from November 2024 to January 2025) All additional payments were financed from the Bank's compulsory reserves with BDL in foreign currency. Intermediate circular 728 issued on 20 February 2025 increased the monthly payment to be $250 for all beneficiaries of Basic Circular 166; cumulative amount was increased accordingly from USD 4,350 to USD 6,700. The monthly payment was further increased to $400 (Intermediate circular 737 issued on 18 June 2025) and the cumulative amount was increased accordingly from USD 6,700 to USD 8,500. Intermediate Circular 747 issued on 28 November 2025 increased the monthly payment by $100 that can only be used through POS and the cumulative amount was increased to USD 9,200. These additional amounts were financed from the Bank's compulsory reserves with BDL in foreign currency.

- 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.

- Intermediate Circular 708 issued on 20 September 2024 (amending Basic Circulars 43 and 44) changing the treatment of revaluation of foreclosed assets for regulatory capital calculation, to become allowed for inclusion as Common Equity Tier 1 for 75% of its value (previously 33% of this reserve was allowed for inclusion as Tier 2), subject to approval of the Central Bank of Lebanon on the revaluation gain and on the completion of the revaluation before 31 December 2025 extended to 31 December 2026 by Intermediate Circular 741 issued on 10 September 2025.

- Intermediate Circular 712 issued on 10 October 2024 (amending Basic Circular 147) requesting from Banks to refund customers' accounts with the proceeds of a Banker's check issued by the Bank from the concerned customer's account on the condition it has not been endorsed and there are no related litigations. Besides, if the customer is eligible, he can benefit from provisions of Basic Circulars 158 and 166.

- Intermediate Circular 723 issued on 13 January 2025 (amending Basic Circular 81) restricting the granting of loans in US Dollars to "cash money" only as per Basic Circular 165 definition.

1 CORPORATE INFORMATION (continued)

1.2. Regulatory Environment (continued)

- Intermediate Circular 733 issued on 27 March 2025 (amending Basic Circular 159) permitting banks to purchase foreign currencies provided that the margins and commissions do not exceed 1% of the purchase price to only sell local foreign currency only to Central Bank of Lebanon. Banks are also restricted to sell or purchase financial instrument in Local foreign currencies without prior approval from Central Bank of Lebanon (amended with Intermediate Circular 734 issued on 14 April 2025).

- Intermediate Circular 742 issued on 10 September 2025 requires banks, when issuing banker's checks or certified checks in Lebanese pounds, to ensure the purpose is legitimate (personal or commercial uses, tax payments, judicial deposits...) and does not lead to currency speculation. These checks must include the phrase "Payable only to the first beneficiary (non-endorsable)."

- Intermediate Circular 744 issued on 27 October 2025 excludes Lebanese Treasury Bonds in foreign currencies (Eurobonds) from the specified ratio and prohibits non-compliant banks from selling these bonds. Compliant banks may sell Eurobonds provided proceeds are used primarily to: (1) secure liquidity for one year, and (2) finance commercial and investment operations, without covering operating expenses.

- Basic Circular 169 issued on 1 July 2025 subjecting any offshore transfer of FCY restricted deposits to BDL approval in the name of equal treatment of depositors.

- Basic Circular 171 issued on 14 November 2025 requires all banks and institutions under the supervision of the Central Bank to comply with requests for lifting banking secrecy from the Central Bank and/or the Banking Control Commission without any excuse. Requests may include any records or information related to individuals or entities, retroactively up to ten years from the law's issuance date. Requests must be sent securely (encrypted electronically or confidentially in writing) and signed by authorized officials. Banks must establish internal procedures to handle requests, ensure secure transmission, and maintain confidentiality. Documents must be marked "Confidential," and receipt must be confirmed. Records of transmission and receipt must be kept for at least ten years. Banks must respond within 15 working days. Non-compliance subjects institutions to legal penalties. The Banking Control Commission monitors implementation and may update procedures.

- Basic Circular 172 issued on 21 January 2026 requires all banks to ensure that customers complete the Cash Transaction Slip (CTS) as per attached Form (RF2), whenever they carry out at a specific bank, on a daily basis, one or more cash deposits equal to, or above USD 10,000 or its equivalent in any other currency. The information provided in the CTS Form is cross-checked against the information in the KYC Form to verify its consistency.

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.

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:

	2025		*2024*	
	Year-end Rate	*Average Rate*	*Year-end Rate*	*Average Rate*
	LBP	*LBP*	*LBP*	*LBP*
US Dollar	**89,500**	**89,500**	89,500	83,292
Euro	**105,386.25**	**105,019.30**	93,465	78,685

The exchange rates above consist of the official exchange rates published by the Central Bank of Lebanon on a monthly basis.

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 2025	*Average Rate for the year ended 31 December 2025*	*Rate as at 31 December 2024*	*Average Rate for the year ended 31 December 2024*
	LBP	*LBP*	*LBP*	*LBP*
US Dollar	89,500	89,500	89,500	83,292

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.

The Group uses the official published exchange rate to translate all 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 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 consolidated financial statements.

1 CORPORATE INFORMATION (continued)

1.3 Particular situation of the Group (continued)

Excepted Credit Losses
As at 31 December 2025, loss allowances on assets held at the Central Bank of Lebanon are recorded in these consolidated financial statements at the loss rates mentioned in the Central Bank of Lebanon's Basic Circular 44. 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, we are unable to estimate in a reasonable manner expected credit losses on these exposures. Accordingly, these consolidated financial statements do not include adjustments of the carrying amount of these assets to their recoverable amounts based on IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) 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 46 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 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. 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 46 to these consolidated financial statements.

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 Accounting Standards 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 on foreign currencies subject to de-facto capital controls, 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.

1 CORPORATE INFORMATION (continued)

1.3 Particular situation of the Group (continued)

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 from the years 2021 to 2025, 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 non-taxable exceptional revaluation of fixed assets and inventory, and an exceptional adjustment on the negative or positive foreign exchange differences 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 by banks. The Bank applied the requirements of Law 330 and the application decisions and restated previously submitted financial statements. The application of Law 330 did not have an impact on tax liability at 31 December 2025 or previous years.

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 practice, 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).

1 CORPORATE INFORMATION (continued)

1.3 Particular situation of the Group (continued)

Measures by the Bank (continued)

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.
   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.

The Group is taking measures to help strengthen its financial position, including international liquidity and solvency metrics. However, as at 31 December 2025, consolidated capital adequacy ratios stood at 2.40%, 2.49% and 3.66% for CET1, Tier 1 and Total CAR respectively (minimum regulatory levels of 4.5%, 6.0% and 8.0%, since banks are allowed to draw down on the 2.5% capital conservation buffer during 2024 and 2025).

In the continued absence of the long awaited banking restructuring plan, the Bank is unable to predict the impact of the crisis and the then adopted restructuring plan on the financial statements of the Bank in Lebanon, nor it is able to predict the measures that might be taken by the regulator in that regard. The Bank is also uncertain whether the measures implemented since the outset of the crisis and mentioned 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, and, as well as the implementation of a clear national fiscal and economic recovery plan are resolved. It is only at that particular point in time that a pro-forma balance sheet of the Bank will be prepared and will include 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 to a lesser extent the effects on its private loan portfolio.

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 pursuant to the adoption of the revaluation model of IAS 16 for this asset class, 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 2025 and 2024, 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 287% and 12%, respectively, as of December 2025 (2024: 666% and 18%). 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. As of December 2025, the 3-year cumulative increase in Consumer Price Index has been 220.39% (2024: 290.79%).

Therefore, entities whose functional currency is the Lebanese Pound should restate their financial statements to reflect the effects of inflation in conformity with IAS 29. Such restatements shall be made as if the Lebanese economy has always been hyperinflationary, using a general price index that reflects the changes in the currency's purchasing power.

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.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

IAS 29 – Financial Reporting in Hyperinflationary Economies (continued)

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.

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.

As of the date of the accompanying consolidated financial statements, Management is did not 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. 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. 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 IFRS Accounting Standards 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)

2.2. Basis of Consolidation

The consolidated financial statements comprise the financial statements of Banque BEMO S.A.L. and its subsidiaries as at 31 December 2025. 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.

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.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.2. Basis of Consolidation (continued)

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 2025. The nature and impact of each amendment is described below:

Lack of exchangeability – Amendments to IAS 21
For annual reporting periods beginning on or after 1 January 2025, Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of an entity's 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. This amendment did not have a material impact on the Group's consolidated financial statements.

2.4. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

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.

The standard requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and it also 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, are 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)

2.4. Standards issued but not yet effective (continued)

IFRS 19 Subsidiaries without Public Accountability: Disclosures
In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards. IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

As the Bank's equity instruments are publicly traded, it is not eligible to elect to apply IFRS 19.

Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7
In May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- A clarification that a financial liability is derecognised on the 'settlement date' and the introduction of an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date.
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed.
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments.
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI).

The Amendments are effective for annual periods starting on or after 1 January 2026 with early adoption permitted for classification of financial assets and related disclosures only. The Group does not anticipate that the amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to IFRS Accounting Standards - Volume 11
In July 2024, the IASB issued nine narrow scope amendments as part of its periodic maintenance of IFRS accounting standards. The amendments include clarifications, simplifications, corrections or changes to improve consistency in IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial instruments: Disclosure and its accompanying Guidance on implementing IFRS 7, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements and IAS 7 Statements of Cash Flows. The amendments will be effective for reporting periods beginning on or after 1 January 2026. Earlier application is permitted and must be disclosed. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7
In December 2024, the IASB issued Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity. The amendments apply only to contracts that reference nature-dependent electricity; the amendments:

- Clarify the application of the 'own-use' requirements for in-scope contracts
- Amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts
- Add new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4. Standards issued but not yet effective (continued)

Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7 (continued)

The amendments will take effect for annual reporting periods starting on or after 1 January 2026. Early adoption is allowed, but it must be disclosed. The amendments concerning the own-use exception are to be applied retrospectively, while the hedge accounting amendments should be applied prospectively to new hedging relationships designated from the initial application date. Additionally, the IFRS 7 disclosure amendments must be implemented alongside the IFRS 9 amendments. If an entity does not restate comparative information, it cannot present comparative disclosures. The Group does not expect that the amendments will have a material impact on its consolidated financial statements.

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 the consolidated statement of comprehensive income.

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 the consolidated statement of comprehensive income.

After 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".

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5. Summary of Material Accounting Policies (continued)

Business Combinations and Goodwill (continued)

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.

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 the consolidated income statement.

Foreign currencies

The consolidated financial statements are presented in Lebanese Lira (LL) which is also the Group's functional currency. The Bank uses the step-by-step method of consolidation.

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 consolidated 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)

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.

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)

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.

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 income 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 and equipment", except for land and buildings, is stated at cost adjusted for the effect of hyperinflation excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment. When significant parts of property 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.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised since the date of revaluation. Valuations are performed by internal or external valuers with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Summary of Material Accounting Policies (continued)

Property, plant and equipment (continued)

Any item of property and equipment and any significant part initially recognised are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. 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 included in the consolidated income statement when the asset is derecognised.

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 consolidated 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
Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost, interest rate derivatives for which hedge accounting is applied and the related amortisation/recycling effect of hedge accounting. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding profit or loss impact.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Revenue Recognition (continued)

(i) Interest and Similar Income and Expense (continued)

The IBOR reform Phase 2 amendments allow as a practical expedient for changes to the basis for determining contractual cash flows to be treated as changes to a floating rate of interest, provided certain conditions are met. The conditions include that the change is necessary as a direct consequence of IBOR reform and that the transition takes place on an economically equivalent basis.

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 amortised 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 the income statement. In those cases, the fees are recognised as revenue or expense when the instrument is initially recognised.

When a financial asset becomes credit-impaired after initial recognition, interest income is determined by applying EIR to the net amortised 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 amortised 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.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Revenue Recognition (continued)

(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 from Providing Transaction Services

Fees 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 trading (loss) gain 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 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.

2.6 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.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.6 Significant Accounting Judgments and Estimates (continued)

Judgments (continued)

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.

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.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.6 Significant Accounting Judgments and Estimates (continued)

Judgments (continued)

Impairment losses on financial assets

In determining the expected credit losses, the Group makes the following judgments:

- Significant increase in credit risk (SICR)
  In assessing whether a significant increase in credit risk (SICR) has occurred for an exposure since initial recognition, the Group considers both quantitative and qualitative information and analysis. In doing so, the Group makes judgements about the appropriate indicators used as SICR triggers. The triggers that the Group has determined as appropriate include the 30-day backstop, movement in PD and other qualitative factors, such as moving a customer/facility to the watch list, or the account becoming forborne.

- Multiple economic scenarios
  The Group in its measurement of ECLs makes judgements about the type and number of macroeconomic scenarios in order to reflect the Group's exposure to credit risk. For Lebanon, given the prevailing high economic and financial uncertainties and challenges, as disclosed in Note 1, ECLs estimation remains subject to high volatility (including from changes to macroeconomic variable forecasts) especially in view of the prolonged crisis. It is not practical at this stage to determine and provide plausible macroeconomic scenarios before the full resolution of these prevailing high uncertainties. For the Group's various countries of operation, excluding Lebanon, the impact on ECL is not material.

- Definition of Default
  Significant judgement exists with regards to when an asset is considered to have defaulted, and the resulting definition of default against which parameters of ECL model such as PD, LGD and EAD are evaluated.

Other judgements in the determination of ECL include: Development of ECL models, including the segmentation of products, the various formulas and the choice of inputs, for example which inputs are relevant for the particular exposures in particular regions.

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.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.6 Significant Accounting Judgments and Estimates (continued)

Estimates and Assumptions (continued)

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.

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.

Revaluation of Property and Equipment
The Group carries its land and buildings and building improvements at fair value, with changes in fair value being recognised in other comprehensive income. These are valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The Group engaged an independent valuation specialist to assess fair values for property and equipment.

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.

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.

3 SEGMENT REPORTING (continued)

A) Business Segments (continued)

i) Net operating income information

	2025				
	Corporate and commercial Banking LBP000	*Retail and personal banking LBP000*	*Treasury and capital markets LBP000*	*Head office LBP000*	*Total LBP000*
Net interest income	217,189,044	2,612,690	194,261,913	-	414,063,647
Non-interest income					
Net fee and commission expense	550,838,399	(71,872)	-	-	550,766,527
Financial operations	-	-	(5,575,822,382)	-	(5,575,822,382)
Other operating income	-	-	-	207,973,488	207,973,488
Total non-interest expense	550,838,399	(71,872)	(5,575,822,382)	207,973,488	(4,817,082,367)
Total operating income	768,027,443	2,540,818	(5,381,560,469)	207,973488	(4,403,018,720)
Write-back (provision) for expected credit losses, (net)	(312,220,645)	(2,292,740)	-	644,400,000	329,886,615
Net operating income	455,806,798	248,078	(5,381,560,469)	852,373,488	(4,073,132,105)

	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)

ii) Financial Position Information

	2025				
	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	1,412,040,531	484,782,188	144,429,711,804	4,221,687,997	150,548,222,520
Total liabilities	21,420,943,439	92,707,033,562	11,068,498,927	21,689,483,468	146,885,959,396

	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	4,353,725,448	156,636,515,635
Total liabilities	21,328,074,526	93,968,882,599	12,923,823,627	24,835,080,323	153,055,861,075

Interest and similar income from exposure to the Central Bank of Lebanon and Lebanese sovereign amounted to LBP.325,842 million for the year 2025 (2024: LBP.427,684 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:

	2025 LBP 000	*2024 LBP 000*
Interest and similar income		
Central Bank of Lebanon (Net)	**349,487,160**	460,752,750
Lebanese sovereign	**2,242,682**	3,813,409
Related tax on interest	**(25,887,737)**	(36,881,702)
	325,842,105	427,684,457

4 CASH AND DEPOSITS WITH CENTRAL BANKS

	2025	*2024*
	LBP 000	*LBP 000*
Cash on hand	**512,010,386**	739,920,487
Current accounts with Central Bank of Lebanon (Of which compulsory reserves LBP.184.38 billion in 2025 and LBP.60.94 billion in 2024)	**100,589,186,863**	93,755,609,569
Term placements with Central Bank of Lebanon	**40,175,192,000**	40,712,192,000
Accrued interest receivable	**61,259,624**	64,558,570
	141,337,648,873	135,272,280,626
Provision for expected credit losses (Note 34)	(2,294,695,391)	(2,158,555,387)
	139,042,953,482	133,113,725,239

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.14,829 billion as at 31 December 2025 (LBP.19,039 billion as at 31 December 2024) 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 2024) of customers' deposits in foreign currencies, certificates of deposit and borrowings obtained from non-resident financial institutions.

5 DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

	2025	*2024*
	LBP 000	*LBP 000*
Checks in course of collection	**55,608,474**	35,033,329
Current accounts	**302,472,150**	176,404,688
Current accounts - related parties	**188,954,499**	82,687,824
Term account	**574,065,980**	2,329,647,599
Term account - related parties	-	331,150,000
Margin accounts	**661,190,562**	1,066,061,811
Accrued interest receivable	**737,678**	1,774,600
	1,783,029,343	4,022,759,851
Provision for expected credit losses (Note 34)	(8,352,241)	(8,905,924)
	1,774,677,102	4,013,853,927

Deposits with banks and financial institutions include deposits in the amount of LBP.21 billion subject to right of set-off by the related correspondents against trade finance and other facilities at 31 December 2025 (LBP.17.5 billion against trade finance and other facilities as at 31 December 2024).

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 43).

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

	2025 *LBP000*	*2024* *LBP000*
Resident	**389,042,942**	160,520,562
Non-resident	**1,393,248,723**	3,860,464,689
	1,782,291,665	4,020,985,251

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2025			*31 December 2024*		
	LBP Base accounts LBP000	*Foreign currencies Base accounts LBP000*	*Total LBP000*	*LBP Base accounts LBP000*	*Foreign currencies Base accounts LBP000*	*Total LBP000*
Quoted equity securities	**29,691,625**	**404,445,130**	**434,136,755**	25,699,925	413,342,361	439,042,286
Lebanese treasury bills	-	-	-	214,453	-	214,453
Lebanese Government bonds	-	-	-	-	1,221,004	1,221,004
Corporate bonds	-	-	-	-	-	-
Accrued interest receivable	-	-	-	6,224	-	6,224
	29,691,625	**404,445,130**	**434,136,755**	25,920,602	414,563,365	440,483,967

The negative change in fair value of financial assets at fair value through profit or loss in the amount of LBP.56 billion (2024: positive change in fair value of financial assets at fair value through profit or loss in the amount of LBP.20 billion) is recorded under "Net interest and other gains on financial assets at fair value through profit or loss" (Note 31) in the consolidated statement of comprehensive income.
During 2025, the Group disposed of Lebanese Eurobond for an amount of USD.23,187 c/v LBP.2 billion with a net loss of LBP.6 billion.
During 2025, maturity of Lebanese treasury bills for an amount of LBP.212 million.

7 RIGHT-OF-USE OF ASSETS/LEASE LIABILITY

	Right of use ***LBP000***	***Lease liability*** ***LBP000***
Balance as at 1 January 2024	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**
New contract	**44,969,545**	**44,969,545**
Depreciation expense	**(11,672,433)**	-
Interest expense	-	**1,709,029**
Foreign exchange	**4,929,689**	-
Settlements	-	**(16,415,726)**
Balance as at 31 December 2025	**39,112,163**	**41,870,239**

8 LOANS AND ADVANCES TO CUSTOMERS AND RELATED PARTIES

	31 December 2025			31 December 2024		
	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	898,938	(8,986)	889,952	1,758,764	(51,089)	1,707,675
Personal loans	336,211,786	(3,372,595)	332,839,191	303,128,466	(14,963,663)	288,164,803
Overdrafts	-	-	-	348,348,410	(17,505,618)	330,842,792
Other	114,982,448	(1,141,026)	113,841,422	11,860,221	(453,118)	11,407,103
Performing corporate customers – Stages 1 & 2						
Large enterprises	198,869,023	(2,010,092)	196,858,931	455,781,656	(26,890,207)	428,891,449
Small and medium enterprises	36,363,982	(717,882)	35,646,100	252,214,043	(18,002,538)	234,211,505
Non-performing loans Stage 3						
Substandard	257,131,328	(2,953,591)	254,177,737	1,180,236,502	(879,615,504)	300,620,998
Bad and doubtful	4,801,699,708	(3,858,783,495)	942,916,213	4,869,972,610	(3,447,803,940)	1,422,168,670
Unearned interest	-	-	-	-	-	-
Accrued interest receivable	168,499	-	168,499	7,617,523	-	7,617,523
	5,746,325,712	(3,868,987,667)	1,877,338,045	7,430,918,195	(4,405,285,677)	3,025,632,518

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:

	2025				2024			
	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+)	1,663,805	-	-	1,663,805	3,739,952	-	-	3,739,952
Good and satisfactory (A)	5,070,028	-	-	5,070,028	60,323,117	-	-	60,323,117
Adequate (A-)	516,746	-	-	516,746	13,803,154	-	-	13,803,154
Marginal and vulnerable (B&B-)	-	-	-	-	-	-	-	-
Substandard and doubtful (C, D&E)	-	-	3,861,737,088	3,861,737,088	-	-	4,327,419,454	4,327,419,454
Total gross carrying Amount	7,250,579	-	3,861,737,088	3,868,987,667	77,866,223	-	4,327,419,454	4,405,285,677

The movement of the provision for expected credit loss for the credit impaired loans and advances during 2025 and 2024, is as follows:

	2025				2024			
	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	77,866,223	-	4,327,419,454	4,405,285,677	8,103,593	1,523,670	592,900,972	602,528,235
Transfer from/to Stage 3	(40,234,681)	-	40,234,681	-	-	-	-	-
Movement due to changes in balance and credit risk within the same stage	(30,380,963)	-	(609,172,984)	(639,553,947)	31,962,879	(9,017,848)	854,623,720	877,568,751
New financial assets originated or purchased	-	-	-	-	-	-	-	-
Difference of exchange	-	-	103,255,937	103,255,937	37,799,751	7,494,178	2,879,894,762	2,925,188,691
Balance at 31 December	7,250,579	-	3,861,737,088	3,868,987,667	77,866,223	-	4,327,419,454	4,405,285,677

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):

	2025				2024			
	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	1,380,709,201	-	6,050,208,994	7,430,918,195	343,995,602	36,718,760	1,092,459,364	1,473,173,926
Changes in gross carrying amount:	-	-	(640,313,314)	(640,313,314)	-	-	-	-
Transfer from/to Stage 2	-	-	-	-	(106,830,415)	(202,388,146)	309,218,561	-
Transfer from/to Stage 3	(700,486,971)	-	700,486,971	-	-	-	-	-
Financial assets that have been derecognised	-	-	-	-	-	-	-	-
New financial assets originated or purchased	6,518,066	-	(1,234,633,733)	(1,228,115,667)	(427,009,690)	(16,086,186)	(640,313,314)	(1,084,009,190)
Difference of exchange	753,624	-	182,914,375	183,667,999	1,571,133,704	181,755,572	5,281,226,660	7,034,135,936
Balance at 31 December	687,493,920	-	5,058,663,293	5,746,157,113	1,380,709,201	-	6,042,591,471	7,423,300,672

Loans to related parties include an amount of LBP 1,525 million representing sale of 12,990 BSEC shares (2024: same).

9 INVESTMENT SECURITIES

	31 December 2025			31 December 2024		
	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)	75,523,520	3,351,909,074	3,427,432,594	95,948,364	17,443,601,579	17,539,549,943
Accrued interest receivable	2,385,273	7,874,420	10,259,693	2,812,472	19,080,750	21,893,222
Provision for expected credit losses	-	-	-	-	(1,522,395)	(1,522,395)
Provision for expected credit losses on Lebanese Government Bonds recorded in LBP	-	-	-	-	(5,296,065,257)	(5,296,065,257)
Provision for expected credit losses on Certificates of deposit denominated in foreign currency recorded in LBP	-	(63,500,250)	(63,500,250)	-	(194,717,754)	(194,717,754)
	77,908,793	3,296,283,244	3,374,192,037	98,760,836	11,970,376,923	12,069,137,759
Financial assets at fair value through other comprehensive income (B)	615,120	653,721,184	654,336,304	615,120	560,319,308	560,934,428
	615,120	653,721,184	654,336,304	615,120	560,319,308	560,934,428
	78,523,913	3,950,004,428	4,028,528,341	99,375,956	12,530,696,231	12,630,072,187

During 2025, the Group disposed of Lebanese Eurobond for an amount of USD 18,455,538 c/v LBP 1,652 billion with a net loss of LBP.106 billion (after write-off of provision for an amount of LBP.5,296 billion)

During 2025, maturity of corporate bonds for an amount of USD 900,000 c/v LBP.81 billion

9 INVESTMENT SECURITIES (continued)

A- Financial assets at amortised cost.

	31 December 2025							
	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	26,198,756	-	26,198,756	665,258	-	-	-	-
Lebanese Government bonds	-	-	-	-	-	-	-	-
Certificates of deposit issued by the Central Bank of Lebanon	49,324,764	-	49,324,764	1,720,015	3,351,909,074	(63,500,250)	3,288,408,824	7,874,420
Corporate bonds	-	-	-	-	-	-	-	-
	75,523,520	-	75,523,520	2,385,273	3,351,909,074	(63,500,250)	3,288,408,824	7,874,420

	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	-
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
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

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 2025			
	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	18,885,000	18,992,767	-	18,992,767
1 to 3 years	7,163,450	7,205,989	-	7,205,989
3 to 5 years	-	-	-	-
	26,048,450	26,198,756	-	26,198,756
Certificates of deposit issued by the Central Bank of Lebanon:				
Up to one year	49,000,000	49,324,764	-	49,324,764
1 to 3 years	-	-	-	-
	49,000,000	49,324,764	-	49,324,764
	75,048,450	75,523,520	-	75,523,520

	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

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 2025			
	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	-	-	-	-
3 to 5 years	-	-	-	-
5 to 10 years	-	-	-	-
	-	-	-	-
Certificates of deposit issued by the Central Bank of Lebanon:				
Up to 1 year	-	-	-	-
1 to 3 years	2,004,800,000	2,006,687,680	(38,015,700)	1,968,671,980
5 to 10 years	447,500,000	450,221,394	(8,529,220)	441,692,174
More than 10 years	895,000,000	895,000,000	(16,955,330)	878,044,670
	3,347,300,000	3,351,909,074	(63,500,250)	3,288,408,824
Corporate bonds:				
Up to 1 year	-	-	-	-
	-	-	-	-
	3,347,300,000	3,351,909,074	(63,500,250)	3,288,408,824

9 INVESTMENT SECURITIES (continued)

A- Financial assets at amortised cost (continued)

	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)

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

	2025		
	Lebanese Treasury bills LBP000	*Certificates of deposit issued by the Central Bank of Lebanon LBP000*	*Total LBP000*
Balance at 1 January	41,888,387	54,059,977	95,948,364
Redemption	(15,398,500)	(4,000,000)	(19,398,500)
Net variation in premium	(291,131)	(735,213)	(1,026,344)
Balance at 31 December	26,198,756	49,324,764	75,523,520

	2024		
	Lebanese Treasury bills LBP000	*Certificates of deposit issued by the Central Bank of Lebanon 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

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:

	2025			
	Lebanese Government bonds LBP000	*Certificates of deposit issued by the Central Bank of Lebanon LBP000*	*Corporate Bonds LBP000*	*Total LBP000*
Balance at 1 January	1,764,459,683	10,107,808,885	79,027,605	11,951,296,173
Redemption	(7,060,524,939)	(6,945,200,000)	(80,550,000)	(14,086,274,939)
Net variation in premium	-	(5,417,565)	-	(5,417,565)
Difference of exchange	-	-	-	-
Provision for expected credit losses	5,296,065,256	131,217,504	1,522,395	5,428,805,155
Balance at 31 December	-	3,288,408,824	-	3,288,408,824

	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
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

9 INVESTMENT SECURITIES (continued)

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

	31 December 2025			
	LBP Base Accounts		*C/V of F/Cv Base Accounts*	
	Cost	*Fair value*	*Cost*	*Fair value*
	LBP000	*LBP000*	*LBP000*	*LBP000*
Unquoted equity securities	615,120	615,120	1,058,485,441	630,227,434
Quoted equity securities	-	-	469,875,000	23,493,750
	615,120	615,120	1,528,360,441	653,721,184

	31 December 2024			
	LBP Base Accounts		*C/V of F/Cv Base Accounts*	
	Cost	*Fair value*	*Cost*	*Fair value*
	LBP000	*LBP000*	*LBP000*	*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

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

	2025		
	Unquoted equity securities	*Quoted equity securities*	*Total*
	LBP000	*LBP000*	*LBP000*
Balance at 1 January	536,825,558	23,493,750	560,319,308
Redemption	-	-	-
Effect of exchange rates changes	174,349	-	174,349
Change in fair value of financial assets at fair value through other comprehensive income	93,227,527	-	93,227,527
Balance at 31 December	630,227,434	23,493,750	653,721,184

	2024		
	Unquoted equity securities	*Quoted equity securities*	*Total*
	LBP000	*LBP000*	*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

10 ASSETS UNDER LEVERAGE ARRANGEMENTS WITH THE CENTRAL BANK OF LEBANON

	2025	2024
	LBP000	LBP000
Lebanese Government bonds at amortized cost	26,048,450	33,904,450

During 2019, the Group 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.

11 CUSTOMERS' LIABILITY UNDER ACCEPTANCES

Acceptances represent documentary credits which the Group has committed to settle on behalf of its customers against commitments by those customers (acceptances) in the gross amount of LBP 19,121 million, and allowance for expected credit losses in the amount of LBP.191 million as at 31 December 2025 (no acceptances as at 31 December 2024). The commitments resulting from these acceptances are stated as a liability in the consolidated statement of financial position for the same gross amount as at 31 December 2025.

12 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 2025 and 2024 is detailed as follows:

	2025	2024
	LBP000	LBP000
Balance at 1 January	30,349,450	2,585,121
Revaluation as per law 330 and decision 715/1	-	401,426,829
Disposals	-	(373,662,500)
Balance at 31 December	30,349,450	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 37).

13 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 2024 (Restated)	865,644,000	1,235,196,571	98,320,231	26,897,225	5,593,585	79,287,808	52,200,860	2,363,140,280
Additions	-	-	2,250,000	7,313,822	-	-	133,035,978	142,599,800
Disposals	-	(36,383,997)	-	-	-	-	-	(36,383,997)
Transfer	-	165,791,362	-	-	-	19,445,476	(185,236,838)	-
Difference of exchange	-	-	-	5,536,476	-	-	-	5,536,476
Revaluation as per Law 330	-	1,191,446,335	93,196,590	-	-	-	-	1,284,642,925
Balance at 31 December 2024 (Restated)	865,644,000	2,556,050,271	193,766,821	39,747,523	5,593,585	98,733,284	-	3,759,535,484
Revaluation	-	-	-	-	-	-	-	-
Additions	-	-	71,890,873	5,992,398	-	-	-	77,883,271
Disposals	-	-	(175,384,121)	(498,511)	-	(2,942,913)	-	(178,825,545)
Transfer	423,960	(423,960)	-	-	-	-	-	-
Difference of exchange	-	-	-	-	-	-	-	-
Balance at 31 December 2025	866,067,960	2,555,626,311	90,273,573	45,241,410	5,593,585	95,790,371	-	3,658,593,210
Accumulated depreciation								
Balance at 1 January 2024 (Restated)	-	445,351,703	75,033,457	22,343,769	4,981,268	72,559,494	-	620,269,691
Additions	-	57,022,933	9,330,268	2,168,832	267,137	2,476,748	-	71,265,918
Disposals	-	(19,496,797)	-	-	-	-	-	(19,496,797)
Difference of exchange	-	-	-	5,521,657	-	-	-	5,521,657
Revaluation as per Law 330	-	-	85,958,910	-	-	-	-	85,958,910
Balance at 31 December 2024 (Restated)	-	482,877,839	170,322,635	30,034,258	5,248,405	75,036,242	-	763,519,379
Additions	-	88,955,785	11,736,332	3,298,983	261,661	5,333,552	-	109,586,313
Disposals	-	-	(165,442,614)	(488,981)	-	(2,363,803)	-	(168,295,398)
Difference of exchange	-	-	-	-	-	-	-	-
Balance at 31 December 2025	-	571,833,624	16,616,353	32,844,260	5,510,066	78,005,991	-	704,810,294
Carrying amounts								
31 December 2025	866,067,960	1,983,792,687	73,657,220	12,397,150	83,519	17,784,380	-	2,953,782,916
31 December 2024 (Restated)	865,644,000	2,073,172,432	23,444,186	9,713,265	345,180	23,697,042	-	2,996,016,105

13 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.

During 2025, additions to furniture and computer equipment in the amount of LBP000.71,890,873 and LBP000.5,992,398 represent the Group's purchases of artworks mainly and desktops and hardware respectively.

During 2025, the Group disposed of furniture with a net book value of LBP000.9,924,816, thus realizing a profit of LBP000.16,925,184 included under "Other income, (net)" in the consolidated statement of comprehensive income (Note 37).

During 2025, the Group disposed of computer equipment with a net book value of LBP000.605,331, thus realizing a loss of LBP000.605,331 included under "Other income, (net)" in the consolidated statement of comprehensive income (Note 37).

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.

14 INTANGIBLE ASSETS

	Purchased Software LBP000
Cost	
Balance at 1 January 2024 (Restated)	19,985,886
Additions	16,257,577
Disposals	-
Balance at 31 December 2024 (Restated)	36,243,463
Additions	**42,394,655**
Disposals	**(549,684)**
Balance at 31 December 2025	**78,088,434**
Amortization	
Balance at 1 January 2024 (Restated)	18,760,317
Amortization of the year	2,047,964
Disposals	-
Balance at 31 December 2024 (Restated)	20,808,281
Amortization of the year	**4,635,177**
Disposals	**(108,601)**
Balance at 31 December 2025	**25,334,857**
Carrying amounts	
31 December 2025	**52,753,577**
31 December 2024 (Restated)	15,435,182

14 INTANGIBLE ASSETS (continued)

During 2024, the Group implemented a new software and upgraded the old one for a total amount of LBP000 58,652,232, an amount of LBP000 16,257,577 and LBP000 42,394,655 has been added respectively in 2024 and 2025.

During 2025, the Group disposed of software with a net book value of LBP000 441,083, thus a loss of LBP000 441,083 included under "Other income, (net)" in the consolidated statement of comprehensive income (Note 37).

15 OTHER ASSETS

	2025 LBP000	2024 LBP000
Fair value of forward exchange contracts	4,217,601	-
Interbranch accounts	17,202,039	37,507,891
Stamps	865,816	241,642
Receivables from subsidiaries (a)	-	184,938
Prepayments	47,263,398	59,552,228
Receivables from the Central Bank of Lebanon (b)	3,351,417	4,350,472
Receivables from a financial institution – credit and operations	110,934,172	83,414,300
Receivables from the National Security Social Fund	17,938,118	11,598,459
Advances to employees	3,020,484	4,990,290
Receivables from doubtful client in Cyprus	15,505,131	106,672,709
Sundry accounts receivable	85,559,232	68,285,865
	305,857,408	376,798,794
Provision for expected credit losses	(10,197,268)	(6,737,096)
	295,660,140	370,061,698

Provision of LBP 3,460 million was set up during 2025 against receivables from the National Social Security Fund (LBP 3,857 million for the year 2024) (Note 37). Total provision as at 31 December 2025 amounts to LBP 10,197 million (LBP 6,737 million as at 31 December 2024).

(a) No receivable at the end of year 2025 (2024: Receivables from two subsidiaries representing an outstanding amount and an amount paid on their behalf. 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 consolidated comprehensive income).

(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 (2024: Same).

16 DEPOSITS AND BORROWINGS FROM BANKS AND FINANCIAL INSTITUTIONS

	2025 LBP000	2024 LBP000
Current deposits of banks and financial institutions	4,121,545,997	4,023,779,484
Current deposits - Related parties	21,817,318,269	23,354,177,790
Money market deposits	-	1,271,500,000
Short term loans	-	478,166,940
Money market deposits - Related parties	737,703,750	1,689,664,375
Accrued interest payable	-	22,318,200
Accrued interest payable - Related parties	58,555,234	71,206,367
	26,735,123,250	30,910,813,156

17 CUSTOMERS AND RELATED PARTIES ACCOUNTS AT AMORTIZED COST

	2025 *LBP000*	*2024* *LBP000*
Deposits from customers		
Current and demand deposits	106,797,776,288	107,522,612,872
Current and demand deposits – related parties	549,583,019	650,574,883
Term deposits – related parties	2,425,000	-
Term deposits	5,378,631,406	5,719,567,286
Cash collateral	144,918,203	186,422,000
Margins and other accounts		
Margins for irrevocable import letters of credit	5,734,421	2,194,988
Margins on letters of guarantee	205,391,004	185,998,744
Margins on letters of guarantee – related parties	150,000	150,000
Other margins	852,467,208	803,586,180
Margins on trading transactions	5,862,250	4,475,000
Accrued interest payable	5,327,853	4,927,188
	113,948,266,652	115,080,509,141

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

	2025			*2024*		
	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	61,758,760	0.05	19.35	63,937,813	0.06	19.11
From LBP.200 million to LBP.1.5 billion	1,051,215,787	0.92	20.10	1,018,777,172	0.89	20.86
Over LBP.1.5 billion	112,835,292,105	99.03	60.55	113,997,794,156	99.05	60.03
	113,948,266,652	100.00	100.00	115,080,509,141	100.00	100.00

Term deposits as at 31 December 2025 include fiduciary deposits received from a non-resident related party bank in the amount of LBP.62.7 billion (2024: same).

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*
2025	657,741,883	11.59	113,509,550,763	0.0354	116,457,474
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

18 OTHER TERM BORROWINGS

	2025 LBP000	2024 LBP000
Other term borrowings	209,978,533	237,951,641

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 2025 and 2024 is summarized as follows:

	2025 LBP000	2024 LBP000
Balance at 1 January	237,951,641	120,105,912
Settlements	(27,973,108)	(158,192,555)
Difference of exchange	-	276,038,284
Balance at 31 December	209,978,533	237,951,641

19 OTHER LIABILITIES

	2025 LBP000	2024 LBP000
Current tax liability (a)	3,186,762	1,246,759
Withheld tax on salaries	3,361,819	2,654,052
Withheld tax on interest	2,942,044	822,315
Withheld tax on non-resident	3,740,549	3,071,921
Lumpsum tax on turn over	928,678	928,678
Due to the National Social Security Fund	12,931,475	3,411,919
Checks and incoming payment orders in course of settlement	148,214,153	94,672,899
Checks on BDL (b)	1,050,226,805	1,167,803,704
Fair value forward exchange contracts	3,302,658	14,989,819
Interbranch accounts in foreign currencies	4,050,545	134,513,711
Advances from customer	4,475,000	17,900,090
Clients prefunded accounts (c)	65,282,921	45,964,735
Sundry accounts payable (d)	246,803,331	396,672,955
Accrued expenses	219,447,946	161,938,436
Amount payable to related party	4,719,702	29,345,896
Deferred revenue	4,271,507	6,287,786
Other taxes payable (e)	219,774,235	217,189,372
Position (circulars 151 – 158 – 161)	3,351,417	4,371,610
	2,001,011,547	2,303,786,657

19 OTHER LIABILITIES (continued)

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

	2025 LBP000	2024 LBP000
Loss before income tax	(1,835,548)	(52,207,999)
Add: Non-deductible expenses/losses	56,268,586	1,079,662,197
Less:		
- Non-taxable revenues/gains	(645,222,666)	(972,197,492)
- Non-taxable Difference of exchange (Net) as per Law 330	-	(4,311,439,047)
Taxable (loss) income for the year	(590,789,628)	(4,256,182,341)
Enacted tax rate in Lebanon	17%	17%
	-	-
Add: Income tax provision – Subsidiaries	3,186,762	1,246,759
Current tax liability	3,186,762	1,246,759

(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.139,26 billion (USD.1,340,558 and EUR.182,950) transferred to Beirut during 2020 to be settled in transferrable funds when claimed by the related customers (2024: Banque Bemo Cyprus with aggregate balances of LBP.138,92 billion (USD.1,361,155 and EUR.182,950)).

(e) The Group's tax returns for fiscal years 2019 to 2025 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.

20 PROVISIONS

Provisions consist of the following:

	2025 LBP000	2024 LBP000
Provision for employees' end-of-service indemnities	352,995,062	277,467,168
Provision for contingencies	447,500	447,500
Provision for loss on foreign currency position	54,000	54,000
Provision for legal case	2,345,951	-
Provision for expected credit losses (Note 34)	442,244,896	1,100,724,421
	798,087,409	1,378,693,089

20 PROVISIONS (continued)

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

	2025 LBP000	2024 LBP000
Balance at 1 January	277,467,168	75,339,919
Additions (Note 35)	96,375,928	37,868,045
Settlements	(11,307,334)	(4,085,758)
Write-off	(9,540,700)	-
Exchange difference	-	168,344,962
Balance at 31 December	352,995,062	277,467,168

21 SUBORDINATED BONDS

This caption consists of the following:

	2025 LBP000	2024 LBP000
Subordinated bonds	3,132,500,000	3,132,500,000

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 (Note 28).

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.

22 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 2025 and 2024 is composed of 77,500,000 listed issued shares of LBP.1,004 each authorized and fully paid.

22 SHARE CAPITAL (continued)

The movement of treasury shares during 2025 and 2024 was as follows:

	2025		*2024*	
	Number of shares	*Amount LBP000*	*Number of shares*	*Amount LBP000*
Balance at 1 January, same as 31 December	1,113,237	2,857,660	1,113,237	2,857,660

23 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%.

24 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 2025 (2024: 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.

25 RESERVES

	2025 LBP000	*Restated 2024 LBP000*
Legal reserve (a)	**14,802,912**	14,802,912
Non-distributable reserve	**61,086,283**	61,086,283
Reserve for assets acquired in satisfaction of loans (Note 12)	**80,727**	80,727
Free reserves	**12,330,578**	12,330,578
	88,300,500	88,300,500
Revaluation Reserve (b)	**2,989,248,808**	3,002,004,229
	3,077,549,308	3,090,304,729

25 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.

	2025 *LBP000*	*Restated* 2024 *LBP000*
Balance at 1 January	3,002,004,229	1,658,402,972
Add: Revaluation	-	1,595,737,077
Less:		
- Release related to sold revaluated assets	(12,755,421)	-
- Release related to sold revaluated assets in satisfaction of loans	-	(252,135,820)
Balance at 31 December	2,989,248,808	3,002,004,229

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.

26 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 2025 and 2024 was as follows:

	2025 *LBP000*	2024 *LBP000*
Balance at 1 January	531,893,948	186,847,161
Net changes in fair values during the year	85,382,853	(888,273,639)
Difference of exchange	-	1,233,320,426
Balance at 31 December	617,276,801	531,893,948

27 INTEREST INCOME

	2025 *LBP000*	2024 *LBP000*
Interest income from:		
Term deposits with central banks	242,866,487	282,532,168
Deposits with banks and financial institutions	72,591,785	55,580,927
Deposits with related party banks and financial institutions	10,724,248	7,035,198
Financial assets at amortized cost	120,934,977	189,088,002
Loans and advances to customers	90,358,975	123,242,048
Loans and advances to related parties	2,408,533	1,202,570
Interest realized on impaired loans and advances to customers	240,801,008	87,833,888
	780,686,013	746,514,801
Less: Withheld taxes	(26,733,512)	(36,881,702)
	753,952,501	709,633,099

28 INTEREST EXPENSE

	2025 LBP000	2024 LBP000
Interest expense on:		
Borrowing from Central Bank of Lebanon	3,262,683	3,487,498
Deposits and borrowings from banks and financial institutions	149,940,837	598,795,188
Deposits and borrowings from related party banks and financial institutions	80,166,160	71,567,674
Customers' accounts at amortized cost	105,895,889	80,637,873
Related parties' accounts at amortized cost	99,863	4,394
Subordinated bonds (Note 21)	-	402,589
Interest expense-lease liability	523,422	1,073,033
	339,888,854	755,968,249

29 FEE AND COMMISSION INCOME

	2025 LBP000	2024 LBP000
Commission on documentary credits	167,828	26,850
Commission on letters of guarantee	17,012,740	22,627,563
Service fees on customers' transactions *	348,472,865	537,256,431
Other	215,642,141	207,629,483
	581,295,574	767,540,327

(*) Service fees on customers' transactions for the year 2025 in the amount of LBP 348 billion (2024: LBP 537 billion), represent fees earned on clients' transactions related to cash withdrawal (2024: same), out of which an amount of LBP 24 billion for the year 2025 related to Bemo Saudi Fransi BBSF (related party) (2024: LBP 169 billion).

30 FEE AND COMMISSION EXPENSE

	2025 LBP000	2024 LBP000
Commission on transactions with banks	(1,493)	(105,000)
Commission on transactions with related party banks	16,631,499	17,467,809
Other	13,899,041	8,874,706
	30,529,047	26,237,515

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

	2025 LBP000	2024 LBP000
Interest received on debt securities	-	18,933
Unrealized (loss) gain, net (Note 6)	(55,559,437)	20,333,587
Realized gain	3,946,875	1,324,418
	(51,612,562)	21,676,938

32 (LOSS) PROFIT ON EXCHANGE, NET

	2025	*2024*
	LBP000	*LBP000*
Change of official rate *	-	4,099,640,917
Partial settlement of shortage in Position **	**(187,833,752)**	(3,139,565,218)
Other customers operations, net	**93,970,080**	240,180,209
	(93,863,672)	1,200,255,908

(*) 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.

(**) In order to partially settle the shortage in open position, the Group sold dollars with book losses amounted to LBP.188 billion during 2025 (2024: shortage in open position due to increase of provisions, the Group sold dollars with book losses amounted to LBP.3,140 billion) and were recorded under (loss) profit on exchange, net.

33 OTHER OPERATING INCOME, (NET)

	2025	*2024*
	LBP000	*LBP000*
Revenues and commissions from securitization operations	**24,193,311**	32,423,323
Others	**183,780,177**	140,310,923
	207,973,488	172,734,246

34 WRITE-BACK (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*	*Acceptances* *LBP000*	*Indirect and unutilized facilities* *LBP000*	*Total* *LBP000*
Balance at 1 January 2024	340,725,027	2,841,140	602,528,235	826,670,619	-	184,640,704	1,957,405,725
Additions	125,562,725	1,304	973,401,551	559,837,380	-	8,770,716	1,667,573,676
Write-back	-	(7,986,796)	(94,134,307)	-	-	(8,975,226)	(111,096,329)
Write-offs	-	-	(463,727)	-	-	-	(463,727)
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	-	1,100,724,421	13,165,776,815
Balance at 1 January 2025	**2,158,555,387**	**8,905,924**	**4,405,285,677**	**5,492,305,406**	**-**	**1,100,724,421**	**13,165,776,815**
Additions	136,140,004	-	1,335,563,379	-	191,218	-	1,471,894,601
Write-back	-	(553,683)	(1,010,008,110)	(132,739,898)	-	(658,479,525)	(1,801,781,216)
Write-offs	-	-	(965,109,216)	(5,296,065,258)	-	-	(6,261,174,474)
Difference of exchange	-	-	103,255,937	-	-	-	103,255,937
Balance at 31 December 2025	**2,294,695,391**	**8,352,241**	**3,868,987,667**	**63,500,250**	**191,218**	**442,244,896**	**6,677,971,663**

35 STAFF COSTS

	2025 LBP000	2024 LBP000
Salaries and related charges	461,493,254	338,551,751
Social Security contributions	44,530,281	27,125,338
Provision for employees' end-of-service indemnities (net) (Note 20)	96,375,928	37,868,045
	602,399,463	403,545,134

36 ADMINISTRATIVE EXPENSES

	2025 LBP000	2024 LBP000
Travel and entertainment	2,328,948	2,779,018
Advertisement and publicity	10,691,898	10,388,543
Professional fees	141,353,143	148,812,189
Maintenance and repairs	94,301,364	66,117,622
Electricity and fuel	22,847,410	23,513,122
Telephone expenses	6,953,452	6,935,654
Printing and stationary	2,888,713	3,045,556
Rent and building services	25,306,473	17,135,014
Fees and taxes	19,623,289	11,725,555
Insurance	21,181,509	18,255,551
Subscriptions	135,258,189	75,606,079
Gifts and donations	474,350	437,450
Attendance fees	20,087,768	23,321,433
Other	61,935,006	36,444,464
	565,231,512	444,517,250

37 OTHER INCOME, (NET)

	2025 LBP000	2024 LBP000
Profit on disposal of fixed assets	16,102,518	1,012,800
Write back (appropriation) of provision (Note 15)	3,460,172	(3,856,546)
Write back of provision	3,816,633	-
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	16,838,728	30,902,509
	40,218,051	280,194,583

38 FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS

The guarantees and standby letters of credit and the documentary and commercial letters of credit represent financial instruments with contractual amounts representing credit risk. The guarantees and standby letters of credit represent irrevocable assurances that the 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 2025 and 2024 represent positions held for customers' accounts and at their risk. The Group entered into such instruments to serve the needs of customers.

39 FIDUCIARY DEPOSITS

	2025 LBP000	2024 LBP000
Fiduciary deposits for wealth management	2,463,613,950	4,156,735,040

40 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 2025 and 2024, are as follows:

	2025		2024	
	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	7,446,000	1,095,613	7,703,150	1,051,616
Deposits	577,333,349	-	651,246,164	-
Other affiliates				
Deposits	244,060,942	-	217,459,716	-

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

- During 2025, short-term benefits comprise of salaries, bonuses, attendance fees and other benefits amounted to LBP000.27,437,640 (2024: LBP000.22,927,445).

41 CASH AND CASH EQUIVALENTS

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

	2025 LBP000	2024 LBP000
Cash on hand	512,010,386	739,920,487
Current accounts with central banks (excluding compulsory reserve)	100,516,534,477	93,698,131,267
Term placements with Central Bank of Lebanon	25,955,000,000	25,955,000,000
Checks for collection and current accounts with banks and financial institutions	595,975,755	295,900,441
Term placements with banks and financial institutions	43,384,230	375,717,599
	127,622,904,848	121,064,669,794

42 COLLATERAL GIVEN

	31 December 2025		
	Pledged amount LBP000	*Nature of facility*	*Amount of facility LBP000*
Deposits with banks and financial institutions	661,190,562	Forward contracts	1,927,813,174
		Acceptances less than one year	19,121,766

	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

43 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.

43 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

43.1 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:

	2025			
	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	-	-	-	-
Eurobonds	-	-	-	-
Private sector and other securities				
Banks and financial institutions	29,691,625	-	-	29,691,625
Equity instruments	404,445,130	-	-	404,445,130
	434,136,755	-	-	434,136,755
Financial assets designated at fair value through other comprehensive income				
Private sector and other securities				
Equity instruments	654,336,304	-	-	654,336,304
	1,088,473,059	-	-	1,088,473,059

	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

There were no transfers between levels during 2025 (2024: 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.

43 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

43.1 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.

44 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.

	2025		
	Banks LBP000	*Customers LBP000*	*Total LBP000*
Guarantees and contingent liabilities			
Financial guarantees	37,983,557	844,566,595	882,550,152
Commitments			
Documentary credits	-	51,634,171	51,634,171
Loan commitments	-	-	-
Of which revocable	-	-	-
Of which irrevocable	-	-	-
	-	51,634,171	51,634,171

	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	-	-	-
	-	-	-

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.

44 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.

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 2019 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.

45 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.

45 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.

46 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.

46 CREDIT RISK (continued)

46.1 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.

46.2 Expected Credit Losses

46.2.1 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.

46 CREDIT RISK (continued)

46.2 Expected Credit Losses (continued)

46.2.1 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.

46.2.2 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.

46.2.3 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.

46 CREDIT RISK (continued)

46.2 Expected Credit Losses

46.2.3 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.

46.2.4 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.

46 CREDIT RISK (continued)

46.2 Expected Credit Losses (continued)

46.2.5 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.

46.2.6 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.

46.2.7 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.

46.2.8 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.

46 **CREDIT RISK (continued)**

46.2 Expected Credit Losses (continued)

46.2.8 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.

46.2.9 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.

46 CREDIT RISK (continued)

46.2 Expected Credit Losses (continued)

46.2.10 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 2025 and 2024. The Group does not hold any material purchased or originated credit-impaired assets as at year-end.

	2025								
	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 2025									
Balances with central banks	140,825,638,487	-	-	140,825,638,487	2,294,695,391	-	-	2,294,695,391	138,530,943,096
Deposits with banks and financial institutions	1,783,029,343	-	-	1,783,029,343	8,352,241	-	-	8,352,241	1,774,677,102
Financial assets at FVTPL	434,136,755	-	-	434,136,755	-	-	-	-	434,136,755
Loans and advances to customers and related parties at amortized cost	687,493,920	-	5,058,831,792	5,746,325,712	7,250,579	-	3,861,737,088	3,868,987,667	1,877,338,045
Investments securities	4,092,028,591	-	-	4,092,028,591	63,500,250	-	-	63,500,250	4,028,528,341
Total	147,822,327,096	-	5,058,831,792	152,881,158,888	2,373,798,461	-	3,861,737,088	6,235,535,549	146,645,623,339

	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

46 CREDIT RISK (continued)

46.2 Expected Credit Losses (continued)

46.2.10 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:

	2025				*2024*			
	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+)	1,663,805	-	-	1,663,805	3,739,952	-	-	3,739,952
Good and satisfactory (A)	5,070,028	-	-	5,070,028	60,323,117	-	-	60,323,117
Adequate (A-)	516,746	-	-	516,746	13,803,154	-	-	13,803,154
Marginal and vulnerable (B&B-)	-	-	-	-	-	-	-	-
Substandard and doubtful (C,D&E)	-	-	3,861,737,088	3,861,737,088	-	-	4,327,419,454	4,327,419,454
Total gross carrying amount	7,250,579	-	3,861,737,088	3,868,987,667	77,866,223	-	4,327,419,454	4,405,285,677

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

	2025				*2024*			
	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	77,866,223	-	4,327,419,454	4,405,285,677	8,103,593	1,523,670	592,900,972	602,528,235
Transfer from/to Stage 2	-	-	-	-	-	-	-	-
Transfer from/to Stage 3	(40,234,681)	-	40,234,681	-	-	-	-	-
Movement due to changes in balance and credit risk within the same Stage	(30,380,963)	-	(609,172,984)	(639,553,947)	31,962,879	(9,017,848)	854,623,720	877,568,751
New financial assets originated or purchased	-	-	-	-	-	-	-	-
Difference of exchange	-	-	103,255,937	103,255,937	37,799,751	7,494,178	2,879,894,762	2,925,188,691
Balance at 31 December	7,250,579	-	3,861,737,088	3,868,987,667	77,866,223	-	4,327,419,454	4,405,285,677

46 CREDIT RISK (continued)

46.3 Analysis of Risk Concentrations

46.3.1 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:

2025	Lebanon LBP000	MENA LBP000	Europe LBP000	North America LBP000	Asia LBP000	Rest of Africa LBP000	Rest of the world LBP000	Total LBP000
Cash and deposits with central banks	139,038,954,980	-	-	-	3,998,502	-	-	139,042,953,482
Deposits with banks and financial institutions	444,434,507	23,490,001	1,306,735,912	-	16.682	-	-	1,774,677,102
Financial assets at fair value through profit or loss	431,517,090	-	-	2,619,665	-	-	-	434,136,755
Loans and advances to customers and related parties	1,768,079,360	103,552,304	5,686,324	8,345	-	-	11,712	1,877,338,045
Custumer's liability under acceptances	18,930,549	-	-	-	-	-	-	18,930,549
Investments securities	3,399,799,624	627,187,443	1,541,274	-	-	-	-	4,028,528,341
Assets acquired in satisfaction of loans	30,349,450	-	-	-	-	-	-	30,349,450
Property, plant and equipment	2,953,782,916	-	-	-	-	-	-	2,953,782,916
Right-of-use assets	23,277,555	-	-	-	15,834,608	-	-	39,112,163
Intangible assets	52,753,577	-	-	-	-	-	-	52,753,577
Other assets	286,622,520	-	-	-	9,037,620	-	-	295,660,140
	148,448,502,128	754,229,748	1,313,963,510	2,628,010	28,887,412	-	11,712	150,548,222,520

2024	Lebanon LBP000	MENA LBP000	Europe LBP000	North America LBP000	Asia 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
Customer's liability under acceptances	-	-	-	-	-	-	-	-
Investments securities	12,094,743,344	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	-	25,549,253	-	-	-	-	2,996,016,105
Right-of-use assets	-	-	885,362	-	-	-	-	885,362
Intangible assets	15,435,182	-	-	-	-	-	-	15,435,182
Other assets	231,950,870	-	138,110,828	-	-	-	-	370,061,698
	151,652,154,162	568,612,077	4,088,216,200	13,846,169	-	313,687,027	-	156,636,515,635

46 CREDIT RISK (continued)

46.4 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 regularization include 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.

46 CREDIT RISK (continued)

46.4 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.

46 CREDIT RISK (continued)

46.4 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:

	2025										
	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	-	-	138,530,943,096	-	138,530,943,096	-	-	-	-	-	138,530,943,096
Deposits with banks and financial institutions	-	-	-	-	-	1,117,118,309	9,455,600	-	648,103,193	1,774,677,102	1,774,677,102
Loans to banks and financial institutions	-	-	-	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	434,136,755	434,136,755	434,136,755
Financial assets at amortized cost	-	-	3,374,192,037	-	3,374,192,037	-	-	-	-	-	3,374,192,037
	-	-	141,905,135,133	-	141,905,135,133	1,117,118,309	9,455,600	-	1,082,239,948	2,208,813,857	144,113,948,990

	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

46 CREDIT RISK (continued)

46.4 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.

	2025			
	Stage 1 *LBP 000*	*Stage 2* *LBP 000*	*Stage 3* *LBP 000*	*Total* *LBP 000*
Loans and advances to customers at amortised cost	671,328,517	-	1,197,094,701	1,868,423,218
Corporate and SMEs	*230,540,113*	-	*1,159,882,671*	*1,390,422,784*
Performing	*233,247,459*	-	-	*233,247,459*
High	9,503,747	-	-	9,503,747
Standard	1,612,980	-	-	1,612,980
Weak	222,130,732	-	-	222,130,732
Non-performing	-	-	4,592,323,348	4,592,323,348
Credit impaired	(2,707,346)	-	(3,432,440,677)	(3,435,148,023)
Retail and private banking	*440,788,404*	-	*37,212,030*	*478,000,434*
Performing	*445,258,351*	-	*466,508,440*	*911,766,791*
High	3,178,577	-	-	3,178,577
Standard	2,638,912	-	-	2,638,912
Weak	439,440,862	-	-	439,440,862
Non-performing	-	-	466,508,440	466,508,440
Credit impaired	(4,469,947)	-	(429,296,410)	(433,766,357)
Public sector				
Performing	-	-	-	-
Standard	-	-	-	-
Non-performing	-	-	-	-
Credit impaired	-	-	-	-
Loans and advances to related parties at amortised cost	8,914,827	-	-	8,914,827
Performing	*8,988,114*	-	-	*8,988,114*
Weak	8,988,114	-	-	8,988,114
Credit impaired	(73,287)	-	-	(73,287)
Off balance sheet loan commitments and financial guarantee contracts	934,184,323	-	-	934,184,323
Performing	*947,014,750*	-	-	*947,014,750*
High	39,133,100	-	-	39,133,100
Standard	37,547,538	-	-	37,547,538
Weak	870,334,112	-	-	870,334,112
Non-performing	-	-	-	-
Credit impaired	(12,830,427)	-	-	(12,830,427)
Total	1,614,427,667	-	1,197,094,701	2,811,522,368

46 CREDIT RISK (continued)

46.4 Credit Quality (continued)

	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

46 CREDIT RISK (continued)

46.5 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.

	2025					
	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	140,764,378,863	-	-	-	-	140,764,378,863
Due from banks and financial institutions	1,782,291,665	-	-	-	-	1,782,291,665
Loans to banks and financial institutions	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Financial assets at fair value through profit or loss	434,136,755	-	-	-	-	434,136,755
Loans and advances to customers at amortized cost						
Corporate and SME	1,390,422,788	100,633,442	19,449,603	44,750,000	2,713,105,506	-
Retail and personal banking	478,000,434	44,284,779	58,942,283	-	390,847,485	-
Loans and advances to related parties at amortized cost	8,914,823	-	-	-	-	8,914,823
Customer's liability under acceptances	18,930,549	-	-	-	-	18,930,549
Investment Securities	4,028,528,341	-	-	-	-	4,028,528,341
Contingent liabilities						
Letters of credit	6,366,851	1,910,109	-	-	-	4,456,742
Financial guarantee given to banks and financial institutions	-	-	-	-	-	-
Financial guarantee given to customers	857,225,540	208,807,886	-	-	-	648,417,654
Total	149,769,196,609	355,636,216	78,391,886	44,750,000	3,103,952,991	147,690,055,392
Guarantees received from banks, financial institutions and customers						
Utilized collateral	2,562,315,369	278,552,371	58,580,077	1,880	2,225,181,041	-

46 CREDIT RISK (continued)

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

	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

46 CREDIT RISK (continued)

46.5 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.

47 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.

47 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.

	2025				
	LBP	*US$*	*EUR*	*Other*	*Total*
	LBP000	*LBP000*	*LBP000*	*LBP000*	*LBP000*
Assets					
Cash and deposits with central banks	303,866,516	127,081,264,194	10,848,332,090	809,490,682	139,042,953,482
Deposits with banks and financial institutions	201,197,056	657,100,104	776,562,141	139,817,801	1,774,677,102
Financial assets at fair value through profit or loss	29,691,625	404,445,130	-	-	434,136,755
Loans and advances to customers and related parties	14,802,007	1,491,254,558	370,069,225	1,212,255	1,877,338,045
Customer's liability under acceptances	-	18,930,549	-	-	18,930,549
Investments securities	78,523,913	3,948,463,155	1,541,273	-	4,028,528,341
Assets acquired in satisfaction of loans	29,811,272	538,178	-	-	30,349,450
Property, Plant and equipment	2,926,932,916	26,850,000	-	-	2,953,782,916
Right-of-use assets	-	39,112,163	-	-	39,112,163
Intangible assets	52,753,577	-	-	-	52,753,577
Other assets	83,779,794	174,762,310	37,118,036	-	295,660,140
Total assets	3,721,358,676	133,842,720,341	12,033,622,765	950,520,738	150,548,222,520
Liabilities and shareholders' equity					
Deposits and borrowings from banks and financial institutions	35,823	23,146,124,477	3,296,163,170	292,799,780	26,735,123,250
Customers and related parties accounts at amortized cost	1,113,306,679	103,788,040,570	8,159,937,236	886,982,167	113,948,266,652
Liability under acceptances	-	19,121,766	-	-	19,121,766
Other term borrowings	26,538,829	183,439,704	-	-	209,978,533
Lease liability	-	41,870,239	-	-	41,870,239
Other liabilities	405,315,904	1,449,095,419	135,459,885	11,140,339	2,001,011,547
Provisions	176,250,119	619,491,339	2,345,951	-	798,087,409
Subordinated bonds	-	3,132,500,000	-	-	3,132,500,000
Total liabilities	1,721,447,354	132,379,683,514	11,593,906,242	1,190,922,286	146,885,959,396
Shareholders' equity	4,282,413,992	(620,150,868)	-	-	3,662,263,124
Total liabilities and shareholders' equity	6,003,861,346	131,759,532,646	11,593,906,242	1,190,922,286	150,548,222,520

47 MARKET RISK (continued)

A. *CURRENCY RISK (continued)*

	2024				
	LBP *LBP000*	*US$* *LBP000*	*EUR* *LBP000*	*Other* *LBP000*	*Total* *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
Customer's liability under acceptances	-	-	-	-	-
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	25,549,253	-	-	2,996,016,105
Right-of-use assets	-	885,362	-		885,362
Intangible assets	15,435,182	-	-	-	15,435,182
Other assets	104,619,178	(1,773,967,194)	1,707,111,745	332,297,969	370,061,698
Total assets	3,641,035,067	139,073,875,044	12,772,005,093	1,149,600,431	156,636,515,635
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
Liability under acceptances	-	-	-	-	-
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	(662,552,371)	-	-	3,580,654,560
Total liabilities and shareholders' equity	5,713,723,978	164,844,397,181	(12,772,005,091)	(1,149,600,433)	156,636,515,635

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 2025 and 2024. 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.

47 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.

		2025	*2024*
	Decrease in Basis Points	***LBP Million Decrease***	*LBP Million Decrease*
LBP	- 100	**722,250**	90,773

47 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.

	2025								
	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	26,402,500,000	-	-	26,402,500,000	12,463,011,645	-	12,463,011,645	100,177,441,837	139,042,953,482
Deposits with banks and financial institutions	530,681,750	558,070,725	-	1,088,752,475	(4,832,253)	-	(4,832,253)	690,756,880	1,774,677,102
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	434,136,755	434,136,755
Loans and advances to customers and related parties	575,216,412	-	-	575,216,412	112,177,378		112,177,378	1,189,944,255	1,877,338,045
Customer's liability under acceptances	-	-	-	-	-	-	-	18,930,549	18,930,549
Investments securities	-	-	70,499,887	70,499,887	1,980,993,529	1,322,698,621	3,303,692,150	654,336,304	4,028,528,341
Assets acquired in satisfaction of loans	-	-	-	-	-	-	-	30,349,450	30,349,450
Property, Plant and equipment	-	-	-	-	-	-	-	2,953,782,916	2,953,782,916
Right-of-use assets	-	-	-	-	-	-	-	39,112,163	39,112,163
Intangible assets	-	-	-	-	-	-	-	52,753,577	52,753,577
Other assets	-	-	-	-	-	-	-	295,660,140	295,660,140
TOTAL ASSETS	27,508,398,162	558,070,725	70,499,887	28,136,968,774	14,551,350,299	1,322,698,621	15,874,048,920	106,537,204,826	150,548,222,520
Liabilities and shareholders' equity									
Deposits and borrowings from banks and financial institutions	28,117,567,811	478,166,940	9,664,777	28,605,399,528	2,187,650,000	-	2,187,650,000	(4,057,926,278)	26,735,123,250
Customers and related parties accounts at amortized cost	111,246,545,252	354,234,723	3,371,698,998	115,072,478,973	-	-	-	(1,124,212,321)	113,948,266,652
Liability under acceptances	-	-	-	-	-	-	-	19,121,766	19,121,766
Other term borrowings	33,654	33,654	19,027,443	19,094,751	119,416,207	21,975	119,438,182	71,445,600	209,978,533
Lease liability	-	-	-	-	-	-	-	41,870,239	41,870,239
Other liabilities	-	-	-	-	-	-	-	2,001,011,547	2,001,011,547
Provisions	-	-	-	-	-	-	-	798,087,409	798,087,409
Subordinated bonds	-	-	-	-	-	-	-	3,132,500,000	3,132,500,000
Total liabilities	139,464,146,717	832,435,317	3,400,391,218	143,696,973,252	2,307,066,207	21,975	2,307,088,182	881,897,962	146,885,959,396
Interest rate sensitivity gap	(111,955,748,555)	(274,364,592)	(3,329,891,331)		12,244,284,092	1,322,676,646			
Cumulative gap	(111,955,748,555)	(112,230,113,147)	(115,560,004,478)		(103,315,720,386)	(101,993,043,740)			

47 MARKET RISK (continued)

B. *INTEREST RATE RISK (continued)*

	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	93,755,609,369	25,955,000,000	537,000,000	120,247,609,369	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	18,943,236	-	18,943,236	422,220,054	440,483,967
Loans and advances to customers and related parties	1,228,191,048	1,392,900	31,330,840	1,260,913,788	112,177,378	-	112,177,378	1,652,539,752	3,025,632,518
Customer's liability under acceptances	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	2,996,010,105	2,996,010,105
Right-of-use assets	-	-	-	-	-	-	-	885,367	885,367
Intangible assets	-	-	-	-	-	-	-	15,435,182	15,435,182
Other assets	-	-	-	-	-	-	-	370,061,698	370,061,698
TOTAL ASSETS	97,946,479,045	26,937,350,312	7,613,104,995	132,496,884,352	16,510,504,729	1,353,756,216	17,864,260,945	6,275,370,358	156,636,315,615
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	30,910,812,156
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
Liability under acceptances	-	-	-	-	-	-	-	-	-
Other term borrowings	34,455,990	7,584,166	49,158,113	91,198,269	138,566,599	124,178	138,690,777	8,062,395	237,951,441
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	839,983,829	3,454,303,011	146,925,357,893	2,326,216,599	124,178	2,326,340,777	3,804,162,403	153,035,861,073
Interest rate sensitivity gap	(44,684,640,008)	26,097,364,483	4,158,801,984		14,184,288,130	1,353,632,038			
Cumulative gap	(44,684,640,008)	(18,587,275,525)	(14,428,473,541)		(244,185,411)	1,109,446,627			

47 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.

48 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.

48 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 2025 and 2024. 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*	
	2025	*2024*	*2025*	*2024*
	%	%	%	%
Year-end	1.35	4.64	1.65	2.62
Maximum	4.95	8.15	2.55	4.12
Minimum	1.35	4.64	1.65	2.62
Average	2.65	8.77	2.13	3.77

48 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.

	2025					
	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	23,940,791,935	478,166,940	128,514,375	2,187,650,000	-	26,735,123,250
Customers and related parties at amortized cost	110,222,269,588	354,234,723	3,371,762,341	-	-	113,948,266,652
Liability under acceptances	-	19,121,766	-	-	-	19,121,766
Other term borrowings	71,479,254	33,654	19,027,443	119,416,207	21,975	209,978,533
Lease liability	41,870,239	-	-	-	-	41,870,239
Other liability	2,001,011,547	-	-	-	-	2,001,011,547
Provisions	798,087,409	-	-	-	-	798,087,409
Subordinated bonds	3,132,500,000	-	-	-	-	3,132,500,000
Total financial liabilities	140,208,009,972	851,557,083	3,519,304,159	2,307,066,207	21,975	146,885,959,396

	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
Liability under acceptances	-	-	-	-	-	-
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

48 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 2025 is as follows:

	Total less than one year LBP000	*Total more than one year LBP000*	*Total LBP000*
Assets			
Cash and deposits with central banks	125,270,261,482	13,772,692,000	139,042,953,482
Deposits with banks and financial institutions	1,774,677,102	-	1,774,677,102
Financial assets at fair value through profit or loss	434,136,755	-	434,136,755
Loans and advances to customers and related parties	1,765,160,667	112,177,378	1,877,338,045
Customer's liability under acceptances	18,930,549	-	18,930,549
Investments securities	724,836,191	3,303,692,150	4,028,528,341
Assets acquired in satisfaction of loans	30,349,450	-	30,349,450
Property, plant and equipment	2,953,782,916	-	2,953,782,916
Right-of-use assets	39,112,163	-	39,112,163
Intangible assets	52,753,577	-	52,753,577
Other assets	295,660,140	-	295,660,140
Total assets	133,359,660,992	17,188,561,528	150,548,222,520
Liabilities and shareholders' equity			
Deposits and borrowing from banks and financial institutions	24,547,473,250	2,187,650,000	26,735,123,250
Customers and related parties accounts at amortized cost	113,948,266,652	-	113,948,266,652
Liability under acceptances	19,121,766	-	19,121,766
Other term borrowings	90,540,351	119,438,182	209,978,533
Lease liability	-	41,870,239	41,870,239
Other liability	2,001,011,547	-	2,001,011,547
Provisions	798,087,409	-	798,087,409
Subordinated bonds	3,132,500,000	-	3,132,500,000
	144,537,000,975	2,348,958,421	146,885,959,396
Total liabilities	3,662,263,124	-	3,662,263,124
Shareholders' equity			
Total liabilities and shareholders' equity	148,199,264,099	2,348,958,421	150,548,222,520

48 LIQUIDITY RISK (continued)

Maturity analysis of assets and liabilities (continued)

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
Customer's liability under acceptances	-	-	-
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	2,996,016,105	-	2,996,016,105
Right-of-use assets	885,362	-	885,362
Intangible assets	15,435,182	-	15,435,182
Other assets	370,061,698	-	370,061,698
Total assets	138,874,156,616	17,762,359,019	156,636,515,635
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
Liability under acceptances	-	-	-
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	3,580,654,560	-	3,580,654,560
Shareholders' equity			
Total liabilities and shareholders' equity	154,310,174,858	2,326,340,777	156,636,515,635

49 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.

50 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 44).
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.

51 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.

52 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, Intermediate Circular 689 issued on 2 February 2024, Intermediate Circular 726 issued on 6 February 2025, Intermediate Circular 740 issued on 29 August 2025, Intermediate Circular 741 issued on 10 September 2025, Intermediate Circular 754 issued on 9 January 2026 and Intermediate Circular 760 issued on 4 May 2026 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 2025.

Type of financial instrument	*2025*	*2024*
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% (2024: same) 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.

- Inclusion of gains from Foreign Currency Translation Adjustments in Common Equity Tier 1, effective from 2023 whereas regulation prior to amendments brought by Intermediate Circular 689 included only losses from Foreign Currency Translation Adjustments in Common Equity Tier 1 and 50% of gains in Tier 2 capital. 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.

- Inclusion of 75% of cumulative change in the fair value of financial instruments classified at FVTOCI in Common Equity Tier 1, instead of 50% of the gain in Tier 2, as was the case previously.

52 **CAPITAL MANAGEMENT (continued)**

- Inclusion of 75% of revaluations gain of owned real estate properties under articles 153 and 154 of the Code of Money and Credit in Common Equity Tier 1 subject to Central Bank verification and completion by 31 December 2026. Revaluation must be in fresh USD and recorded in LBP at specified rates (LBP 1,507.5 to the US Dollar until 31 January 2023; LBP 15,000 to the US Dollar until 31 January 2024; LBP 89,500 to the US Dollar until 31 May 2025; and at the official platform rate from 1 June 2025 onward).

- Exceptionally during 2020 and 2021, allowing banks to draw down the 2.5% capital conservation buffer on condition of rebuilding it progressively starting 2022 by not less of 0.75% each year, to reach the minimum required level of 2.5% by the end of 2024. Following issuance of BDL Intermediate Circular 689, 740 and 760, Banks were once again allowed to draw down completely the 2.5% capital conservation buffer in 2023, 2024, 2025, and 2026.

- 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 2020 and 2021, allowing the Bank 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.

- Exceptionally authorizing Banks the inclusion in Tier 2 of provisions for risk and charges, treated as General Provisions, up to a limit of 1.25% of Credit Risk-Weighted assets. 31 December 2025, the amount of General Provisions included in Tier 2 amounted to LBP 11,622,962 million (31 December 2024: LBP 12,489,668 million).

The following table shows the applicable regulatory capital ratios:

	Common Tier 1 Capital Ratio	*Tier 1 Capital Ratio*	*Total Capital Ratio*
31 December 2025			
Minimum required capital ratios (waiver from capital conservation buffer)	4.50%	6.00%	8.00%
With the full capital conservation buffer of 2.5% (applicable in 2026)	7.00%	8.50%	10.50%
31 December 2024			
Minimum required capital ratios	4.50%	6.00%	8.00%
With the full capital conservation buffer of 2.5% (applicable in 2026)	7.00%	8.50%	10.50%

	2025 LBP000	*2024 LBP000*
Risk-weighted assets:		
Credit risk	97,368,007,550	106,325,234,000
Market risk	2,251,793,000	6,795,562,030
Operational risk	4,015,123,460	3,964,112,900
Total risk-weighted assets	103,634,924,010	117,084,908,930

52 CAPITAL MANAGEMENT (continued)

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

	2025	*2024*
	LBP000	*LBP000*
Tier 1 capital	**2,578,144,000**	629,891,000
Of which: common Tier 1	***2,484,340,000***	*536,087,000*
Tier 2 capital	**1,217,100,000**	1,329,065,000
Total capital	**3,795,244,000**	1,958,956,000

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

	2025	*2024*
Capital adequacy – Common Tier 1	**2.40%**	0.46%
Capital adequacy – Tier 1	**2.49%**	0.54%
Capital adequacy – Total capital	**3.66%**	1.67%

The capital adequacy ratios as at 31 December 2025 and 31 December 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, 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 on foreign currencies subject to defacto capital controls, Management is unable to estimate in a reasonable manner the impact of these matters on the Bank's capital adequacy. Management has concerns about the effects that the above matters will have on the capital of the Bank and the recapitalisation needs that may arise once the necessary adjustments are determined and recorded.

53. RESTATEMENT OF COMPARATIVE AMOUNTS

Restatement to account for hyperinflation

The Bank subsidiary accounted for the impact of hyperinflation on real estate properties in the consolidated statement of financial position based on a valuation performed by an accredited external independent valuer in US Dollars and on other tangible and intangible assets based on other methods as required by law 330 dated 4 December 2024. Accordingly, the Bank subsidiary restated the figures as of 1 January 2024 and 31 December 2024 and for the year then ended with respect to real estate properties classified under property and equipment and on other tangible and intangible assets. The effect of these restatements on the consolidated financial statements is presented below.

Impact on the consolidated statement of financial position as at 1 January 2024:

	1 January 2024 As previously reported LBP Million	*Restatement LBP Million*	*1 January 2024 As restated LBP Million*
Assets			
Property, plant and equipment	354,452	29,499,259	29,853,711
Intangible assets	8,960	522,865	531,825
	363,412	30,022,124	30,385,536
Equity			
Other components of equity	1,361,834	30,022,124	31,383,958

48 LIQUIDITY RISK (continued)

Maturity analysis of assets and liabilities (continued)

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
Customer's liability under acceptances	-	-	-
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	2,996,016,105	-	2,996,016,105
Right-of-use assets	885,362	-	885,362
Intangible assets	15,435,182	-	15,435,182
Other assets	370,061,698	-	370,061,698
Total assets	138,874,156,616	17,762,359,019	156,636,515,635
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
Liability under acceptances	-	-	-
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	3,580,654,560	-	3,580,654,560
Shareholders' equity			
Total liabilities and shareholders' equity	154,310,174,858	2,326,340,777	156,636,515,635

49 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.

50 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 44).
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.

51 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.

52 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, Intermediate Circular 689 issued on 2 February 2024, Intermediate Circular 726 issued on 6 February 2025, Intermediate Circular 740 issued on 29 August 2025, Intermediate Circular 741 issued on 10 September 2025, Intermediate Circular 754 issued on 9 January 2026 and Intermediate Circular 760 issued on 4 May 2026 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 2025.

Type of financial instrument	*2025*	*2024*
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% (2024: same) 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.

- Inclusion of gains from Foreign Currency Translation Adjustments in Common Equity Tier 1, effective from 2023 whereas regulation prior to amendments brought by Intermediate Circular 689 included only losses from Foreign Currency Translation Adjustments in Common Equity Tier 1 and 50% of gains in Tier 2 capital. 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.

- Inclusion of 75% of cumulative change in the fair value of financial instruments classified at FVTOCI in Common Equity Tier 1, instead of 50% of the gain in Tier 2, as was the case previously.

52 CAPITAL MANAGEMENT (continued)

- Inclusion of 75% of revaluations gain of owned real estate properties under articles 153 and 154 of the Code of Money and Credit in Common Equity Tier 1 subject to Central Bank verification and completion by 31 December 2026. Revaluation must be in fresh USD and recorded in LBP at specified rates (LBP 1,507.5 to the US Dollar until 31 January 2023; LBP 15,000 to the US Dollar until 31 January 2024; LBP 89,500 to the US Dollar until 31 May 2025; and at the official platform rate from 1 June 2025 onward).

- Exceptionally during 2020 and 2021, allowing banks to draw down the 2.5% capital conservation buffer on condition of rebuilding it progressively starting 2022 by not less of 0.75% each year, to reach the minimum required level of 2.5% by the end of 2024. Following issuance of BDL Intermediate Circular 689, 740 and 760, Banks were once again allowed to draw down completely the 2.5% capital conservation buffer in 2023, 2024, 2025, and 2026.

- 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 2020 and 2021, allowing the Bank 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.

- Exceptionally authorizing Banks the inclusion in Tier 2 of provisions for risk and charges, treated as General Provisions, up to a limit of 1.25% of Credit Risk-Weighted assets. 31 December 2025, the amount of General Provisions included in Tier 2 amounted to LBP 11,622,962 million (31 December 2024: LBP 12,489,668 million).

The following table shows the applicable regulatory capital ratios:

	Common Tier 1 Capital Ratio	*Tier 1 Capital Ratio*	*Total Capital Ratio*
31 December 2025			
Minimum required capital ratios (waiver from capital conservation buffer)	**4.50%**	**6.00%**	**8.00%**
With the full capital conservation buffer of 2.5% (applicable in 2026)	**7.00%**	**8.50%**	**10.50%**
31 December 2024			
Minimum required capital ratios	4.50%	6.00%	8.00%
With the full capital conservation buffer of 2.5% (applicable in 2026)	7.00%	8.50%	10.50%

	2025 LBP000	*2024 LBP000*
Risk-weighted assets:		
Credit risk	**97,368,007,550**	106,325,234,000
Market risk	**2,251,793,000**	6,795,562,030
Operational risk	**4,015,123,460**	3,964,112,900
Total risk-weighted assets	**103,634,924,010**	117,084,908,930

52 CAPITAL MANAGEMENT (continued)

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

	2025 *LBP000*	*2024* *LBP000*
Tier 1 capital	**2,578,144,000**	629,891,000
Of which: common Tier 1	***2,484,340,000***	*536,087,000*
Tier 2 capital	**1,217,100,000**	1,329,065,000
Total capital	3,795,244,000	1,958,956,000

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

	2025	*2024*
Capital adequacy – Common Tier 1	**2.40%**	0.46%
Capital adequacy – Tier 1	**2.49%**	0.54%
Capital adequacy – Total capital	**3.66%**	1.67%

The capital adequacy ratios as at 31 December 2025 and 31 December 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, 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 on foreign currencies subject to defacto capital controls, Management is unable to estimate in a reasonable manner the impact of these matters on the Bank's capital adequacy. Management has concerns about the effects that the above matters will have on the capital of the Bank and the recapitalisation needs that may arise once the necessary adjustments are determined and recorded.

53. RESTATEMENT OF COMPARATIVE AMOUNTS

Restatement to account for hyperinflation
The Bank subsidiary accounted for the impact of hyperinflation on real estate properties in the consolidated statement of financial position based on a valuation performed by an accredited external independent valuer in US Dollars and on other tangible and intangible assets based on other methods as required by law 330 dated 4 December 2024. Accordingly, the Bank subsidiary restated the figures as of 1 January 2024 and 31 December 2024 and for the year then ended with respect to real estate properties classified under property and equipment and on other tangible and intangible assets. The effect of these restatements on the consolidated financial statements is presented below.

Impact on the consolidated statement of financial position as at 1 January 2024:

	1 January 2024 As previously reported LBP Million	*Restatement LBP Million*	*1 January 2024 As restated LBP Million*
Assets			
Property, plant and equipment	354,452	29,499,259	29,853,711
Intangible assets	8,960	522,865	531,825
	363,412	30,022,124	30,385,536
Equity			
Other components of equity	1,361,834	30,022,124	31,383,958

53. RESTATEMENT OF COMPARATIVE AMOUNTS (continued)

Impact on the consolidated statement of financial position as at 31 December 2024:

	31 December 2024 As previously reported LBP Million	*Restatement LBP Million*	*31 December 2024 As restated LBP Million*
Assets			
Property, plant and equipment	475,984	25,073,267	25,549,251
Intangible assets	6,442	375,751	382,193
	482,426	25,449,018	25,931,444
Equity			
Other components of equity	2,099,332	25,449,018	27,548,350

	31 December 2024 As previously reported LBP Million	*Restatement LBP Million*	*31 December 2024 As restated LBP Million*
Income statement			
Depreciation of property, plant and equipment	127,550	11,663,673	11,791,223
Amortisation of intangible assets	2,518	147,114	149,632
	130,068	11,810,787	11,940,855
Other comprehensive income			
Revaluation reserve			
Property, plant and equipment	-	7,237,680	7,237,680
Intangible assets	-	-	-
	-	7,237,680	7,237,680

54 SUBSEQUENT EVENTS

Geopolitical tensions
Subsequent to the reporting date, geopolitical tensions in parts of the Middle East have increased. Public communications from government and regulatory authorities have continued to emphasise the resilience of the economy and the continuation of business operations across key sectors, supported by established business continuity and risk management frameworks.

These developments arose after the reporting period and have therefore been assessed as non-adjusting events in accordance with IAS 10 Events after the Reporting Period. Accordingly, no adjustments have been made to the amounts recognised in the financial statements as at 31 December 2025.

The Group has assessed the potential implications of these events on its operations, financial position and performance. Based on information currently available, including the continuation of core business activities, it is not practicable to reliably estimate the full financial effect of these non-adjusting events on future periods.