BANK OF BEIRUT S.A.L.

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

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

Deloitte.

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

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

BT 4222/DTT

INDEPENDENT AUDITORS' REPORT

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

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Bank of Beirut S.A.L. (the "Bank") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Basis for Disclaimer of Opinion

1. We draw attention to Notes 1 and 4 to the accompanying consolidated financial statements, concerning the Group's ability to continue as a going concern. There is currently a high degree of uncertainty surrounding the Lebanese banking industry and Lebanese economy as a whole which has been triggered by the following events:

   - business disruption since the last quarter of 2019;
   - a series of Lebanese sovereign credit risk downgrades which started to deteriorate since the last quarter of 2019 and reached a default credit risk rating (to category "RD") by all major rating agencies in March 2020, after years of a stable credit risk rating at "B" category;
   - restrictions on the movement and withdrawal of funds in foreign currencies;
   - the inability to transfer foreign currency funds outside Lebanon;

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

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

The audit evidence available to us to confirm the appropriateness of preparing the consolidated financial statements on a going concern basis was limited due to the severity of the uncertainties noted above as applicable to the Group and within the banking sector as a whole in Lebanon resulting from the overwhelming systemic risk which could impact the assessment of solvency risk; liquidity and funding risk; currency risk; credit risk and profitability, and the related future actions and mitigation plans and factors.

This situation indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and in the absence of any alternative evidence available to us, we have been unable to form a view as to the applicability of the going concern basis, the circumstances of which, together with the effect on the financial statements should this basis be inappropriate, could result in the Group being unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not adequately disclose this fact.

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

2. We draw attention to Note 3 to the accompanying financial statements which states that these consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. Included in the consolidated statement of financial position at December 31, 2019, are net financial assets measured at amortized cost amounting to LBP9,459billion, which have significant exposure to sovereign debt in both Lebanese Pounds and foreign currencies; foreign currency deposits with and certificates of deposit issued by the Central Bank of Lebanon and deposits held with other Lebanese Banks which are credit impaired as at December 31, 2019 due to the current uncertainty in the Lebanese banking industry and the Lebanese economy as a whole. Furthermore, the Group has not performed an appropriate credit assessment of the loans and advances to customers portfolio granted by the bank in Lebanon, amounting to LBP4,755billion, taking into account the circumstances and available information that have led to additional impairment considerations as at December 31, 2019 to reflect the appropriate credit staging. Consequently the Group has not recognized the appropriate level of impairment losses under the expected credit loss model in relation to these financial assets, which constitutes a significant departure from IFRS 9 *Financial Instruments*. It is not possible to determine with reasonable certainty the exact value of the impairment losses as the Group has not performed an updated expected credit loss assessment considering the factors noted above. In these circumstances, we are unable to quantify the effect of the departure from the accounting standard and in our opinion the effects would be both material and pervasive to the financial statements as a whole.

3.a The Group's financial assets at fair value, which are carried in the statement of financial position at LBP154billion, include financial assets at fair value of LBP57.8billion which are issued by the Central Bank of Lebanon as well as financial assets issued by corporate entities domiciled in the Republic of Lebanon. Management has stated the aforementioned financial assets at fair value by using inputs into the determination of fair value which are not indicative of economic reality and market conditions existing at the reporting date, which constitutes a departure from IFRSs. We were unable to determine the adjustments necessary to this amount.

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

Other Matter

With reference to Article 107 of the Lebanese Code of Commerce and given the adverse circumstances discussed in the Basis for Disclaimer of Opinion above and disclosed under Note 1 to the accompanying consolidated financial statements, we do not recommend that the Board of directors approve any distribution of dividends to any class of shares.

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

The Board of directors and those charged with governance (referred to hereafter as "management") are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the *Code of Ethics of the Lebanese Association of Certified Public Accountants* that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Beirut, Lebanon
September 14, 2020

DFK Fiduciaire du Moyen Orient

Deloitte & Touche

BANK OF BEIRUT S.A.L.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	December 31, 2019 LBP'000	December 31, 2018 LBP'000
Cash and deposits at central banks	5	9,244,432,483	7,137,979,450
Deposits with banks and financial institutions	6	761,944,999	1,598,765,548
Financial assets at fair value through profit or loss	7	137,472,950	1,315,922,850
Loans to banks	8	252,254,843	255,316,224
Loans and advances to customers	9	7,431,205,536	8,555,503,383
Loans and advances to related parties	10	62,039,639	125,277,446
Investment securities	11	5,692,238,813	7,677,716,311
Customers' liability under acceptances	12	303,737,232	399,604,145
Investment in an associate	13	24,568,878	23,009,057
Assets acquired in satisfaction of loans	14	80,731,766	24,566,718
Property and equipment	15	325,141,431	295,172,636
Goodwill	16	87,034,435	88,466,704
Right of use assets	17	45,914,584	-
Other assets	18	123,606,185	93,462,327
Total Assets		24,572,323,774	27,590,762,799
Financial instruments with off-balance sheet risks			
Letters of guarantee and standby letters of credit	45	1,010,308,424	1,270,962,293
Documentary and commercial letters of credit	45	294,617,455	414,838,510
Notional amount of interest rate swap	45	119,175,450	104,064,240
Forward exchange contracts	45	779,979,603	1,455,812,887
Fiduciary accounts	46	132,501,542	165,422,536

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

BANK OF BEIRUT S.A.L.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

LIABILITIES	Notes	December 31, 2019 LBP'000	December 31, 2018 LBP'000
Deposits from banks and financial institutions	19	1,814,592,071	2,432,651,148
Customers' and related parties' deposits	20	18,524,038,851	20,218,646,101
Liabilities under acceptance	12	306,333,508	400,305,358
Other borrowings	21	1,147,538,473	567,949,842
Certificates of deposit	22	637,037	607,045
Lease liability	17	44,948,865	-
Other liabilities	23	287,357,841	364,963,190
Provisions	24	71,168,689	63,835,212
Total liabilities		22,196,615,335	24,048,957,896
EQUITY			
Common share capital	25	82,102,954	82,102,954
Common priority shares	25	150,753,015	150,753,015
Preferred shares	26	844,124,625	844,124,625
Shareholders' cash contribution to capital	27	20,978,370	20,978,370
Reserves	28	961,210,971	927,138,699
Retained earnings		520,075,832	424,084,310
Fixed currency positions hedging reserve	25	(52,012,151)	(52,122,857)
Investment revaluation reserve		6,871,369	6,872,444
Treasury shares	29	(5,466,583)	(70,283,647)
Foreign currency translation reserve		26,994,635	25,224,637
(Loss)/profit for the year	43	(183,091,595)	259,896,246
Equity attributable to the equity holders of the Bank		2,372,541,442	2,618,768,796
Non-controlling interests	30	3,166,997	923,036,107
Total equity		2,375,708,439	3,541,804,903
Total Liabilities and Equity		24,572,323,774	27,590,762,799

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

BANK OF BEIRUT S.A.L.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Year Ended December 31, 2019 LBP'000	2018 LBP'000
Interest income	32	2,146,348,156	1,454,379,194
Less: tax on interest	32	(85,825,962)	(51,317,238)
Interest income, net of tax		2,060,522,194	1,403,061,956
Interest expense	33	(1,267,234,007)	(952,616,060)
Net interest income		793,288,187	450,445,896
Fee and commission income	34	183,090,506	167,294,419
Fee and commission expense	35	(31,123,408)	(26,656,740)
Net fee and commission income		151,967,098	140,637,679
Net interest and other gains on financial assets at fair value through profit or loss	36	7,071	79,648,171
(Loss)/gain on sale of financial assets at amortized cost	11	(56,062,865)	641,383
Other operating income (net)	37	32,368,927	34,753,901
Net financial revenues		921,568,418	706,127,030
Allowance for expected credit losses (net)	38	(765,754,957)	1,566,727
Other provisions (net)	39	(8,090,878)	(7,169,570)
Net financial revenues after impairment charges		147,722,583	700,524,187
Staff costs	40	(162,042,758)	(182,802,542)
General and administrative expenses	41	(110,103,711)	(122,912,055)
Depreciation and amortization	42	(33,186,384)	(25,741,819)
Write-off of goodwill	16	(1,448,086)	-
(Loss)/profit before income tax		(159,058,356)	369,067,771
Income tax expense	23	(23,592,395)	(53,967,205)
Deferred tax on undistributed profit	23	(1,403,363)	(3,453,187)
(Loss)/profit for the year		(184,054,114)	311,647,379
Attributable to:			
Equity holders of the Bank	43	(183,091,595)	259,896,246
Non-controlling interests	30	(962,519)	51,751,133
Basic (losses)/earnings per share in LBP	44	LBP(3,009)	LBP 3,385
Basic earnings per priority share in LBP	44	LBP -	LBP 4,659
Diluted (losses)/earnings per share in LBP	44	LBP(3,009)	LBP 3,385

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year Ended December 31, 2019 LBP'000	Year Ended December 31, 2018 LBP'000
(Loss)/profit for the year		(184,054,114)	311,647,379
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of investment securities at fair value through other comprehensive income		-	4,596,755
		-	4,596,755
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustment related to foreign operations		1,769,998	4,089,029
Change in fair value of cash flow hedge		(2,272,860)	(1,111,445)
Revaluation of fixed and special currency positions to hedge investments in foreign entities	25	110,706	(12,855,298)
		(392,156)	(9,877,714)
Total other comprehensive loss for the year		(392,156)	(5,280,959)
Total comprehensive (loss)/income for the year		(184,446,270)	306,366,420
Attributable to:			
Equity holders of the Bank		(183,483,751)	254,615,287
Non-controlling interests		(962,519)	51,751,133
		(184,446,270)	306,366,420

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

BANK OF BEIRUT S.A.L. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Common Share Capital LBP'000	Common Priority Shares LBP'000	Non-Cumulative Preferred Shares LBP'000	Shareholders' Cash Contribution to Capital LBP'000	Owned Building Revaluation Surplus LBP'000	Cumulative Change in Fair Value of Fixed Positions Designated as Hedging Instruments LBP'000	Investment Revaluation Reserve LBP'000	Reserve for Assets Acquired in Satisfaction of Loans LBP'000	Reserves and Retained Earnings LBP'000	Treasury Shares LBP'000	Currency Translation Adjustment LBP'000	(Loss)/ Profit for the year LBP'000	Equity attributable to the Equity Holders of the Bank LBP'000	Non-Controlling Interests LBP'000	Total LBP'000
Balance at January 1, 2018	77,649,954	150,753,015	844,124,625	20,978,370	1,668,934	(39,267,559)	2,278,016	9,629,526	1,175,788,677	(105,831,043)	21,135,608	235,525,041	2,394,433,164	1,152,108,191	3,546,541,355
Effect of adoption of IFRS9	-	-	-	-	-	-	-	-	(240,443,912)	-	-	-	(240,443,912)	-	(240,443,912)
Transfer from regulatory deferred liability (Note 23d)	-	-	-	-	-	-	-	-	227,477,400	-	-	-	227,477,400	-	227,477,400
Allocation of 2017 profit	-	-	-	-	-	-	-	2,294,781	233,230,260	-	-	(235,525,041)	-	-	-
Dividends paid on preferred shares (Note 31)	-	-	-	-	-	-	-	-	(56,827,662)	-	-	-	(56,827,662)	-	(56,827,662)
Dividends paid on common shares (Note 31)	-	-	-	-	-	-	-	-	(66,638,935)	-	-	-	(66,638,935)	-	(66,638,935)
Dividends paid on priority shares (Note 31)	-	-	-	-	-	-	-	-	(6,030,121)	-	-	-	(6,030,121)	-	(6,030,121)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(77,036,694)	(77,036,694)
Dividends on treasury shares	-	-	-	-	-	-	-	-	51,106	-	-	-	51,106	-	51,106
Reclassification from free reserves (Note 14)	-	-	-	-	-	-	-	(366,913)	366,913	-	-	-	-	-	-
Issuance of common shares (Note 25)	4,453,000	-	-	-	-	-	-	-	81,987,050	-	-	-	86,440,050	-	86,440,050
Change in treasury shares	-	-	-	-	-	-	-	-	-	35,547,396	-	-	35,547,396	-	35,547,396
Change in net asset value of funds	-	-	-	-	-	-	-	-	-	-	-	-	-	(207,464,814)	(207,464,814)
Effect of transactions with funds	-	-	-	-	-	-	-	-	(171,084)	-	-	-	(171,084)	3,678,291	3,507,207
Effect of exchange difference	-	-	-	-	-	-	(2,327)	-	(9,981,240)	-	-	-	(9,983,567)	-	(9,983,567)
Other	-	-	-	-	-	-	-	-	299,674	-	-	-	299,674	-	299,674
Total comprehensive income for the year 2018	-	-	-	-	-	(12,855,298)	4,596,755	-	(1,111,445)	-	4,089,029	259,896,246	254,615,287	51,751,133	306,366,420
Balance at December 31, 2018	82,102,954	150,753,015	844,124,625	20,978,370	1,668,934	(52,122,857)	6,872,444	11,557,394	1,337,996,681	(70,283,647)	25,224,637	259,896,246	2,618,768,796	923,036,107	3,541,804,903
Prior year adjustment (Note 23)	-	-	-	-	-	-	-	-	1,668,517	-	-	-	1,668,517	-	1,668,517
Allocation of 2018 profit	-	-	-	-	-	-	-	2,299,425	257,596,821	-	-	(259,896,246)	-	-	-
Dividends paid on preferred shares (Note 31)	-	-	-	-	-	-	-	-	(56,827,662)	-	-	-	(56,827,662)	-	(56,827,662)
Dividends paid on common shares (Note 31)	-	-	-	-	-	-	-	-	(70,146,435)	-	-	-	(70,146,435)	-	(70,146,435)
Dividends paid on priority shares (Note 31)	-	-	-	-	-	-	-	-	(6,030,121)	-	-	-	(6,030,121)	-	(6,030,121)
Dividends on treasury shares	-	-	-	-	-	-	-	-	223,151	-	-	-	223,151	-	223,151
Reclassification from free reserves (Note 14)	-	-	-	-	-	-	-	(1,288,621)	1,288,621	-	-	-	-	-	-
Change in treasury shares	-	-	-	-	-	-	-	-	-	(1,784,734)	-	-	(1,784,734)	-	(1,784,734)
Effect of transactions with funds	-	-	-	-	-	-	-	-	62,904	-	-	-	62,904	-	62,904
Effect of deconsolidation of the funds (Note 52)	-	-	-	-	-	-	-	-	-	66,601,798	-	-	66,601,798	(918,906,591)	(852,304,793)
Effect of exchange difference	-	-	-	-	-	-	(1,075)	-	3,253,928	-	-	-	3,252,853	-	3,252,853
Other	-	-	-	-	-	-	-	-	236,126	-	-	-	236,126	-	236,126
Total comprehensive loss for the year 2019	-	-	-	-	-	110,706	-	-	(2,272,860)	-	1,769,998	(183,091,595)	(183,483,751)	(962,519)	(184,446,270)
Balance at December 31, 2019	82,102,954	150,753,015	844,124,625	20,978,370	1,668,934	(52,012,151)	6,871,369	12,568,198	1,467,049,671	(5,466,583)	26,994,635	(183,091,595)	2,372,541,442	3,166,997	2,375,708,439

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

BANK OF BEIRUT S.A.L.
CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year Ended December 31, 2019 LBP'000	Year Ended December 31, 2018 LBP'000
Cash flows from operating activities:			
(Loss)/profit for the year		(184,054,114)	311,647,379
Adjustments for:			
Income tax expense	23	23,592,395	53,967,205
Depreciation and amortization	42	33,186,384	25,741,819
Allowance for expected credit losses (Net)	38	765,754,957	(1,566,727)
Deferred tax on profits for distribution	23	1,403,363	3,453,187
Write-off of goodwill	16	1,448,086	-
Impairment of right-of-use assets	17	271,366	-
Lease liability expense	33	1,914,910	-
Write-back of allowance for impairment of assets acquired in satisfaction of debts	14	(27,351)	-
Unrealized loss on financial assets at fair value through profit or loss	36	3,852,185	36,198,841
Gain on sale of assets acquired in satisfaction of loans	37	(3,573,703)	(651,803)
Loss on sale on property and equipment	37	-	25,063
Share in profits of an associate	37	(1,685,875)	(1,105,118)
Provision for employees' end of service indemnity	24	1,688,629	5,137,271
Other adjustments and effect of difference on exchange		5,572,901	(2,598,370)
		649,344,133	430,248,747
Net (increase)/decrease in financial assets at fair value through profit or loss		(16,751,050)	155,311,718
Net decrease in loans to banks		3,630,246	35,602,511
Net decrease/(increase) in loans and advances to customers	48	1,299,729,631	(260,025,646)
Net decrease in loans and advances to related parties		64,468,027	38,975
Net increase in cash and deposits at central banks		(2,238,581,069)	(1,278,812,225)
Net decrease in deposits with banks and financial institutions		744,420,714	21,757,977
Decrease in investment securities		1,320,880,087	453,423,528
Net increase in other assets	48	(10,776,580)	(37,158,542)
Net (decrease)/increase in deposits from banks and financial institutions		(824,216,242)	92,102,351
Net (decrease)/increase in other liabilities	48	(93,306,684)	18,237,148
Net increase in other provisions		9,749,730	3,855,228
Net (decrease)/increase in customers' and related parties' accounts at amortized cost		(1,694,607,250)	111,064,797
Settlement of end-of-service indemnity	24	(4,666,125)	(2,683,069)
Net cash used in operating activities		(790,682,432)	(257,036,502)
Cash flows from investing activities:			
Property and equipment		(50,157,181)	(40,314,334)
Investment properties		(27,050,364)	-
Proceeds from sale of assets acquired in satisfaction of loans		21,418,830	1,092,680
Proceeds from sale of property and equipment		436,110	832,576
Dividends from investment in an associate	13	126,054	102,419
Net cash used in investing activities		(55,226,551)	(38,286,659)
Cash flows from financing activities:			
Dividends paid		(132,781,067)	(206,482,306)
Issuance of common shares		-	86,440,050
Decrease in other borrowings		(46,023,869)	(272,782,832)
Increase/(decrease) in certificates of deposit		29,992	(26,999)
Payment of lease liabilities		(9,743,829)	-
Non-controlling interests		-	(203,957,607)
Change in treasury shares		(1,784,734)	35,547,396
Net cash used in financing activities		(190,303,507)	(561,262,298)
Net decrease in cash and cash equivalents	48	(1,036,212,490)	(856,585,459)
Cash and cash equivalents - Beginning of year	48	1,092,194,650	1,948,780,109
Cash and cash equivalents - End of year		55,982,160	1,092,194,650

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Bank of Beirut S.A.L. (the "Bank") is a Lebanese joint stock company listed on the Beirut stock exchange, registered under number 13187 in the Lebanese commercial register and under number 75 in the list of banks published by the Central Bank of Lebanon. The Bank was established in Lebanon in 1963 and provides a full range of banking services and operates through a network of 72 branches throughout Lebanon with a focus in the city of Beirut and its suburbs. The Bank has a branch in Cyprus and 5 branches in the Sultanate of Oman, two subsidiary banks in the United Kingdom and Australia and representative offices in Dubai in the United Arab Emirates, Nigeria and Ghana. Further information on the Group's structure is provided in Note 3(A). Information on other related party transactions of the Group is provided in Note 47.

The headquarters of Bank of Beirut S.A.L. are located in Fosh Street, Down Town Beirut, Lebanon.

The Macro Economic Environment

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

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

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

1. GENERAL INFORMATION

Bank of Beirut S.A.L. (the "Bank") is a Lebanese joint stock company listed on the Beirut stock exchange, registered under number 13187 in the Lebanese commercial register and under number 75 in the list of banks published by the Central Bank of Lebanon. The Bank was established in Lebanon in 1963 and provides a full range of banking services and operates through a network of 72 branches throughout Lebanon with a focus in the city of Beirut and its suburbs. The Bank has a branch in Cyprus and 5 branches in the Sultanate of Oman, two subsidiary banks in the United Kingdom and Australia and representative offices in Dubai in the United Arab Emirates, Nigeria and Ghana. Further information on the Group's structure is provided in Note 3(A). Information on other related party transactions of the Group is provided in Note 47.

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

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

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

The Group's Financial particulars

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

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

Fair values of financial assets originated in Lebanon have been determined by the Group using notional prices quoted on inactive and illiquid markets or using yield curves that are not reflective of the economic reality and market conditions. In the absence of reliable data, the Group did not disclose the fair value of financial assets and financial liabilities as required by IFRS 13 *Fair Value Measurements*.

The adverse economic conditions and the severe recession, resulted in a significant deterioration of the credit quality of the customers' loans portfolio concentrated in Lebanon since the last quarter 2019 despite the drop in the customers' loans portfolio. The Group's credit assessment of the customers' loans portfolio is based on information available to management which did not take into account the circumstances prevailing as a result of the economic crises and recession which has intensified as a result of the explosion in the Beirut seaport and the COVID 19 pandemic.

The downgrade of sovereign credit rating, the increase in credit, liquidity, market and operational risks across all business sectors, the de-facto capital controls and restrictions on transfers of foreign currency overseas exposing the banking sector to litigation, the current and future possible changes to fiscal, economic and political conditions as well as changes to the legal and regulatory landscape in the Republic of Lebanon stemming from the above events and the declared Government's Recovery Plan have led to significant uncertainties, and the full range of effects on the banking sector in general and on the Group's financial standing is unknown as of and beyond December 31, 2019.

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

The Group's Management's current strategy is to continue operations with limited scope of services and transactions, similarly to the banking sector as a whole, as they have since October 17, 2019.

As disclosed in Note 51 to these consolidated financial statements, the Group's capital adequacy ratio as at December 31, 2019, similarly to other applicable regulatory ratios, was calculated based on the disclosed figures, and did not take into consideration the adjustments that will result from the uncertainties reflected above once these uncertainties become reasonably quantifiable. The Management did not comply with Central Bank of Lebanon intermediary circular 532 towards increasing its regulatory capital by 10% by December 31, 2019 and another 10% by June 30, 2020, which both periods were extended until December 31, 2020 as per BDL intermediary circular 567 issued on August 26, 2020.

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

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

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

IFRS 16 Leases

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

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

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

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

Impact of the new definition of a lease

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

Impact on Lessee Accounting

Former operating leases

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

Right-of-use assets

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

Lease liabilities

At the commencement date of the lease, the Group recognizes 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 recognized as expense in the period on which the event or condition that triggers the payment occurs.

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

Short-term leases

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

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

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

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

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

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

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

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

Financial impact of initial application of IFRS 16

The requirements of IFRS 16 was applied to these leases from January 1, 2019. The effect of adoption of IFRS 16 as at January 1, 2019 (increase/(decrease)) is as follows:

	December 31, 2018 LBP'000	Impact of IFRS16 LBP'000	January 1, 2019 LBP'000
Right-of-use assets	-	50,640,554	50,640,554
Other assets	93,462,327	205,665	93,667,992
Lease liability	-	(50,846,219)	(50,846,219)
Effect on net assets and liabilities and net impact on equity		-	

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

- Right-of-use assets of LBP50.64billion were recognized and presented within right-of-use assets in the consolidated statement of financial position and mainly represent head office and branch premises.
- Lease liabilities of LB50.85billion were recognized and presented within lease liability in the consolidated statement of financial position.
- Other assets of LBP206million related to previous operating leases were derecognized.

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

	Right- of-use Assets LBP'000	Lease Liabilities LBP'000
As at January 1, 2019	50,640,554	50,846,219
Additions	1,940,240	1,940,240
Depreciation expense (Note 42)	(6,365,386)	-
Impairment of right-of-use assets	(271,366)	-
Interest expense	-	1,914,910
Payments	-	(9,743,829)
Difference in exchange	(11,610)	(13,010)
Currency translation adjustment	(17,848)	4,335
As at December 31, 2019	45,914,584	44,948,865

The Group recognized rent expense from short-term leases of LBP4.99billion during the year ended December 31, 2019. Moreover, depreciation charge for right-of-use assets is presented within "Depreciation and amortization" in the consolidated statement of profit or loss. The interest charge on lease liabilities is presented as "Lease liability expense" under interest expense in the consolidated statement of profit or loss.

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

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

- Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.
- Amendments to IFRS 9 *Financial Instruments*: Related to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.
- Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
- IFRIC 23 *Uncertainty over Income Tax Treatments*
    - The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:
    - Whether tax treatments should be considered collectively;
    - Assumptions for taxation authorities' examinations;
    - The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
    - The effect of changes in facts and circumstances

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

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

<u>New and revised IFRSs</u>	**Effective for Annual Periods <u>Beginning on or After</u>**
Definition of Material - Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'	January 1, 2020
Definition of a Business – Amendments to IFRS 3 *Business Combinations* The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.	January 1, 2020
IFRS 17 *Insurance Contracts* IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2023.	January 1, 2023
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011): Relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation and Measurement:

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

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

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

The principal accounting policies adopted are set out below:

A. Basis of Consolidation:

The consolidated financial statements of Bank of Beirut S.A.L. incorporate the financial statements of the Bank and entities controlled by the Bank and its subsidiaries. Control is achieved when the Bank:

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

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

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

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

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

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

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

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

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

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

The consolidated subsidiaries consist of the following:

	Country of Incorporation	Date of Acquisition or Incorporation	Date of Deconsolidation	Percentage of Ownership 2019	2018	Business Activity
Beirut Broker Company S.A.R.L.	Lebanon	1999		100	100	Insurance brokerage
Bank of Beirut UK LTD	United Kingdom	2002		100	100	Banking
BOB Finance S.A.L.	Lebanon	2006		100	100	Money Transfer
Bank of Beirut Invest S.A.L.	Lebanon	2007		100	100	Investment Banking
Cofida Holding S.A.L.	Lebanon	2008		100	100	Holding
Beirut Life S.A.L.	Lebanon	2010		90	90	Insurance
Optimal Investment Fund (deconsolidated)	Lebanon	2010	2019	-	-	Mutual Fund
Bank of Sydney Ltd (formerly Beirut Hellenic Bank)	Australia	2011		100	100	Banking
Beirut Preferred Fund II (deconsolidated)	Cayman Island	2013	2019	1.44	1.23	Mutual Fund
BOB LBP Growth Fund (deconsolidated)	Lebanon	2015	2019	-	-	Mutual Fund
Medawar 247	Lebanon	2015		100	100	Real estate
Medawar 1216	Lebanon	2015		100	100	Real estate

B. Business Combinations:

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

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. When the excess is negative, the Group re-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 recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

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

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

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

C. Goodwill:

Goodwill arising on an acquisition of a business is carried at cost. Refer to Note 3B for the measurement of goodwill at initial recognition. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under "Investments in associates and other instruments".

D. Foreign Currencies:

The consolidated financial statements are presented in Lebanese Pounds ("LBP"), which is the Group's reporting currency. However, the primary currency of the economic environment in which the Group operates (functional currency) is the U.S. Dollar ("USD"). The official exchange rate of the USD against the LBP has been constant for several years.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the official rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the official rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the official rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks, and except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future, which are recognized in other comprehensive income, and presented in the translation reserve in equity. These are recognized in profit or loss on disposal of the net investment.

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

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

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

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

E. Financial Instruments:

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

Recognized financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Group will account for such difference as follows:

- If fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognized in profit or loss on initial recognition (i.e. day 1 profit or loss)
- Value adjustment related to certain non-conventional transactions is captured to reflect excessive earnings over market yields after modifying transactions particularities to unfavorable probable changes that may apply to the underlying terms and conditions depending on circumstances.
- In all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

F. Financial Assets:

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss.

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortized cost;

- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI;

- All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

However, the Group may make the following irrevocable election / designation at initial recognition of a financial asset on an asset-by-asset basis:

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

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

Debt instruments at amortized cost or at FVTOCI

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

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

When a debt instrument measured at FVTOCI is derecognized, the cumulative gain/loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity.

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

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

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

Financial assets at FVTPL

Financial assets at FVTPL are:

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

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

Reclassifications

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets.

Impairment

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

- deposits at banks;
- loans and advances to banks;
- loans and advances to customers;
- customers' liability under acceptances
- debt investment securities;
- loan commitments issued; and
- financial guarantee contracts issued.

No impairment loss is recognized on equity investments.

With the exception of Purchased or Originated Credit Impaired (POCI) financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

- for undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down; and

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

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

Credit-impaired financial assets

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

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

Purchased or originated credit-impaired (POCI) financial assets

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

Definition of default

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

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

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

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Group uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

Significant increase in credit risk

The Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

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

The Group derecognizes a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognized in OCI and accumulated in equity is recognized in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain/loss allocated to it that had been recognized in OCI is recognized in profit or loss. A cumulative gain/loss that had been recognized in OCI is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

Exchange of securities

Debt securities exchanged against securities with longer maturities with similar risks, and issued by the same issuer, are not derecognized because they do not meet the conditions for derecognition. Premiums and discounts derived from the exchange of said securities are deferred to be amortized as a yield enhancement on a time proportionate basis, over the period of the extended maturities.

Repurchase and Reverse Repurchase Agreements:

Securities sold under agreements to repurchase at a specified future date ("repos") are not derecognized from the statement of financial position. The corresponding cash received, including accrued interest, is recognized on the statement of financial position reflecting its economic substances as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, securities purchased under agreements to resell at a specified date are not recognized in the statement of financial position. The consideration paid, including accrued interest is recorded in the statement of financial position reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is treated as interest income in the statement of profit or loss and is accrued over the life of the agreement using the effective interest rate method.

Write-off

Loans and debt securities are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains.

Presentation of allowance for ECL in the statement of financial position

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

- for financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: no loss allowance is recognized in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve;
- for loan commitments and financial guarantee contracts: as a provision; and
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

G. Financial Liabilities and Equity Instruments:

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

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire hybrid (combined) contract to be designated as at FVTPL.

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

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

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

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

Fair value is determined as described under Note 55 below.

Other financial liabilities

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

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

Derecognition of financial liabilities

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

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

H. Offsetting

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

I. Derivative financial instruments

Derivatives, such as foreign exchange forward contracts, interest rate swaps, cross currency interest rate swaps and credit default swaps, are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each statement of financial position date. The resulting gain/loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognized assets or liabilities or firm

commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations (net investment hedges).

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability.

Embedded derivatives

Derivatives embedded in financial liabilities or other non-financial asset host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

J. Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognized less, where appropriate, cumulative amount of income recognized in accordance with the Group's revenue recognition policies.

Financial guarantee contracts not designated at FVTPL are presented as provisions on the consolidated statement of financial position and the remeasurement is presented in other revenue.

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

K. Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. The Group does not apply fair value hedge accounting of portfolio hedges of interest rate risk. In addition the Group does not use the exemption to continue using IAS 39 hedge accounting rules, i.e. the Group applies IFRS 9 hedge accounting rules in full.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group rebalances a hedging relationship in order to comply with the hedge ratio requirements when necessary. In such cases discontinuation may apply to only part of the hedging relationship. For example, the hedge ratio might be adjusted in such a way that some of the volume of the hedged item is no longer part of a hedging relationship, hence hedge accounting is discontinued only for the volume of the hedged item that is no longer part of the hedging relationship.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

In some hedge relationships the Group designates only the intrinsic value of options. In this case the fair value change of the time value component of the option contract is deferred in OCI, over the term of the hedge, to the extent that it relates to the hedged item and is reclassified from equity to profit or loss when the hedged item does not result in the recognition of a non-financial item. The Group's risk management policy does not include hedges of items that result in the recognition of non-financial items, because the Group's risk exposures relate to financial items only.

The hedged items designated by the Group are time-period related hedged items, which means that the amount of the original time value of the option that relates to the hedged item is amortized from equity to profit or loss on a rational basis (e.g. straight-line) over the term of the hedging relationship.

In some hedge relationships the Group excludes from the designation the forward element of forward contracts or the currency basis spread of cross currency hedging instruments. In this case a similar treatment is applied to the one applied for the time value of options. The treatment for the forward element of a forward and the currency basis element is optional and the option is applied on a hedge by hedge basis, unlike the treatment for the time value of the options which is mandatory. For hedge relationships with forwards or foreign currency derivatives such as cross currency interest rate swaps, where the forward element or the currency basis spread is excluded from the designation the Group generally recognizes the excluded element in OCI.

Fair value hedges

The fair value change on qualifying hedging instruments is recognized in profit or loss except when the hedging instrument hedges an equity instrument designated at FVTOCI in which case it is recognized in OCI.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the part of the fair value gain or loss on the hedged item associated with the hedged risk is recognized in profit or loss instead of OCI. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain/loss remains in OCI to match that of the hedging instrument.

Where hedging gains/losses are recognized in profit or loss, they are recognized in the same line as the hedged item.

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

Cash flow hedges

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

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

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

Hedges of net investments in foreign operations

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

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

L. Investments in Associates

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

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

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

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

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

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

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

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

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

M. Property and Equipment:

Property and equipment except for buildings acquired prior to 1993 are stated at historical cost, less accumulated depreciation and any impairment loss. Buildings acquired prior to 1993 are stated at their revalued amounts based on market prices prevailing during 1996 less accumulated depreciation and impairment loss, if any. Resulting revaluation surplus is reflected under "Equity".

Depreciation of property and equipment, other than land and advance payments on capital expenditures, is calculated systematically using the straight line method over the estimated useful lives of the related assets using the following annual rates:

	Rate	Years
Buildings	2%	50
Furniture and equipment	8%	12.5
Computer equipment	20%	5
Vehicles	10%	10
Installation and improvement	25%	4

The estimated useful lives and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized 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 recognized under "Other operating income" in the consolidated statement of profit or loss in the year the asset is derecognized.

N. Intangible Assets Other than Goodwill:

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

O. Assets acquired in satisfaction of loans:

The Lebanese banking entities of the Group account for collateral foreclosed in accordance with the Central Bank of Lebanon main circular 78 and the Banking Control Commission circulars 173 and 267. foreclosed assets should be sold within two years from the date of approval of foreclosure by the Banking Control Commission. In case of default of liquidation, the regulatory authorities require an appropriation of a special reserve from the yearly profits reflected in equity.

Upon sale of foreclosed assets, any gain or loss realized is recognized in the consolidated statement of profit or loss under "Other operating income" or "Other operating expenses". Gains resulting from the sale of foreclosed assets are transferred to "Reserves for assets acquired in satisfaction of loans" starting in the following financial year.

For assets which were not disposed of within the specified period of two years, an amount computed as percentage of their gross carrying value is transferred to "Reserves for assets acquired in satisfaction of loans" in the following financial year.

P. Impairment of Tangible and Intangible Assets (Other than Goodwill):

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is defined as the higher of:

- Fair value that reflects market conditions at the statement of financial position date, less cost to sell, if any. To determine fair value the Group adopts the market comparability approach using as indicators the current prices for similar assets in the same location and condition.
- Value in use: the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life, only applicable to assets with cash generation units.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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

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

Q. Provision for Employees' End-of-Service Indemnity / Staff Retirement Benefits:

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

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

Defined Benefit Plans: (Under other jurisdictions)

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

R. Provisions:

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

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

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

V. Dividend income

Dividend income is recognized when the right to receive payment is established. Dividends on equity instruments designated as at fair value through other comprehensive income are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the investment, in which case it is presented in other comprehensive income.

W. Income Tax:

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because of the items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or 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, associates and interests in joint ventures, when 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.

S. Interest Income and Expense:

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at FVTPL are recognized in 'Net interest income' as 'Interest income' and 'Interest expense' in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period, see 'Net (loss)/income from financial assets at fair value through profit or loss'.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognized in profit or loss at initial recognition.

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

T. Net fee and commission income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or liability (e.g. commissions and fees earned on loans) are included under interest income and expense.

Other fee and commission income are recognized as the related services are performed.

U. Net income/(loss) from financial assets at fair value through profit or loss

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

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized 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 utilized, except:

- When 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, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is possible that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits 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 realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income 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 recognized 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 recognized in profit or loss.

<u>X. Fiduciary Accounts:</u>

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

Y. Leases:

Policy applicable up to December 31, 2018:

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

Policy applicable effective January 1, 2019:

The Group assesses whether contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line item in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.
Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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

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

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs.

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

Z. Cash and Cash Equivalents:

Cash and cash equivalents comprise balances with original maturities of a period of three months including: cash and balances with the Central Bank and deposits with other banks and financial institutions.

AA. Earnings per Share:

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

AB. Dividends:

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

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

AC. Deferred Restricted Contributions:

Restricted contributions derived from special and non-conventional deals arrangement concluded with the regulator are deferred until designated conditions for recognition are met. At the time income is received, it is deferred under "regulatory deferred liability" and applied to the designated purpose according to the regulator's requirements.

AD. Insurance Contracts:

The Group issues contracts that transfer insurance risk.

Recognition and measurement:

Life insurance contracts protect the Group's customers from the consequences of events (such as death or disability) that would affect the ability of their dependents to maintain their current level of income. Long-term life insurance contracts issued by the Group insure human life events (for example death or survival). Premiums are shown before deduction of commission and are recognized as revenue when they become payable by the contract holder. Benefits are recorded as an expense when they are incurred. A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognized. The liability is based on assumptions as to mortality, persistency and maintenance expenses that are established at the time the contract is issued.

Mathematical reserves for life insurance contracts:

Provisions for term life products are calculated as the difference between the actuarial present value of the Group's future liabilities and the actuarial present value of the policyholders' future premiums based on the tables of mortality and the actuarial interest rates as per the original tariffs. In case losses arise from liability adequacy tests, an additional provision is raised.

At each reporting date, an actuarial valuation of the life portfolio is carried out by a professional independent actuary and a technical assessment is performed in respect of mathematical reserves. Prevailing laws require that such actuarial valuation be carried out annually.

Outstanding claims reserves:

The outstanding claims reserves are made for all claims reported to the Group and still unpaid at the reporting date including an estimate for the cost of claims incurred but not reported (IBNR). Claims are recognized in the income statement when incurred based on estimated benefits.

Liability Adequacy Test:

Liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss by establishing a provision for losses arising from liability adequacy tests.

Deferred Acquisition Cost:

Commissions that are related to securing new contracts and renewing existing contracts are capitalized as Deferred Acquisition Cost ("DAC"). All other costs are recognized as expenses when incurred. Deferred acquisition costs are subsequently amortized over the life of the contracts. The resulting change to the carrying value of the DAC is charged to the income statement.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgments, estimates and assumptions about the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

A. Critical accounting judgments in applying the Group's accounting policies:

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

Going Concern:

Notwithstanding the uncertainties resulting from the events and conditions disclosed under Note 1; these consolidated financial statements have been prepared based on the going concern assumption which assumes that the Group will have adequate resources to continue in operational existence for the foreseeable future. However, the Directors highlight that the current market circumstances and uncertainties disclosed in Note 1, which has been worsened by the COVID-19 pandemic and the Beirut port explosion, which are outside their control, represent material uncertainties that may cast significant doubt on the entity's ability to continue as a going concern. The Board of Directors and those charged with governance believe that they are monitoring the current situation and taking all possible attainable remediation actions under the circumstances to ensure the sustainability of the business and viability of the Group.

Business Model Assessment:

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (Refer to the financial assets sections of note 3). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed. The Group monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase of credit risk:

As explained in note 3, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. Refer to note 3 and note 54 for more details.

Establishing groups of assets with similar credit risk characteristics:

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to note 3 for details of the characteristics considered in this judgement. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used:

The Group uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See note 3 and note 54 for more details on ECL.

B. Key Sources of Estimation Uncertainty:

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

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

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

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

Probability of default:

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss Given Default:

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Impairment of Goodwill:

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value

Impairment of investment in an associate:

The Group assess at each reporting date whether there is an indication that an investment may be impaired. If any indication exists, the Group estimates the investment's recoverable amount. When the cost of the investment exceeds the recoverable amount, the investment is considered impaired and a provision for impairment is setup representing the difference between the investment's recoverable amount and its carrying value. The provision is charged to the consolidated statement of profit or loss.

Determining the lease term

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

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

Determining Fair Values:

The determination of fair value for financial assets for which there is no observable market price requires the use of valuation techniques as described in Note 55. For financial instruments that are traded infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

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

5. CASH AND DEPOSITS AT CENTRAL BANKS

	December 31,	
	2019	**2018**
	LBP'000	**LBP'000**
Cash on hand	37,342,011	63,610,268
Non-interest earning accounts:		
Compulsory reserves with the Central Bank of Lebanon (BDL)	385,248,089	382,903,022
Interest earning accounts:		
Current accounts with BDL	130,584,916	94,877,860
Current accounts with other central banks	822,861,961	1,086,956,560
Term placements with BDL	3,592,927,318	4,815,771,161
Term placements with BDL subject to leverage arrangements	3,800,968,290	655,913,250
Term placements with other central banks	2,055,680	97,890
Value adjustments	393,225,512	-
Accrued interest receivable, net of tax	175,333,796	70,825,923
	9,340,547,573	7,170,955,934
Allowance for expected credit losses – Note 54	(96,115,090)	(32,976,484)
	9,244,432,483	7,137,979,450

The non-interest earning compulsory reserves with the Central Bank of Lebanon ("BDL") represent deposits in Lebanese Pounds computed on the basis of 25% and 15% of the average weekly sight and term customers' deposits in Lebanese Pounds in accordance with local banking regulations.

Current accounts with other central banks also include the equivalent in Euro of LBP1.6billion as at December 31, 2019 (LBP962million as at December 31, 2018) deposited in accordance with banking laws and regulations in Cyprus which require banks to maintain at the Central Bank of Cyprus mandatory interest earning deposits in Euro to the extent of 1% (1% as at December 31, 2018) of banks' and customers' deposits maturing in less than two years, after deducting a fixed amount of Euro100,000.

Current accounts with other central banks also include as at December 31 2019 the equivalent in Omani Riyal (OMR) of LBP1.96billion (LBP1.96billion as at December 31, 2018) as minimum reserve requirements at Central Bank of Oman.

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

Term placements with the Central Bank of Lebanon include as of December 31, 2019 and 2018, the equivalent in foreign currencies of LBP1,741billion and LBP1,834billion, respectively deposited in accordance with local banking regulations which require banks to maintain interest earning placements in foreign currency to the extent of 15% of customers' deposits in foreign currencies, certificates of deposit and loans acquired from non-resident financial institutions.

Accrued interest receivable as at December 31, 2019, is stated net of tax in the amount of LBP21.53billion on deposits with the Central Bank of Lebanon (LBP5.2billion as at December 31, 2018).

Term placements with BDL subject to leverage arrangements triggered investment in term placements with the Central Bank of Lebanon and Lebanese Treasury bills classified at amortized cost in LBP earning coupon rates ranging between 6.74% per annum and 11% per annum and having maturities ranging between 2022 and 2035, originated from and are pledged against the corresponding leverage arrangements with the Central Bank of Lebanon for the same amounts in LBP, bearing interest at the rate of 2% per annum and carrying same maturities, thus significantly enhancing the yield on the initial investment in U.S. Dollar. During 2019, the Group signed with Central Bank of Lebanon a netting agreement allowing to offset the "assets under leverage arrangement" versus the borrowing from the Central Bank of Lebanon. The agreement covered financial assets and liabilities resulting from transactions that took place before the netting agreement date that have not yet matured. Prior year figures were represented for comparative purpose. The related details are presented as follows:

	December 31, 2019	**December 31, 2018**
	LBP'000	**LBP'000**
Term placements with the Central Bank of Lebanon (BDL)	4,595,783,000	475,616,000
Lebanese treasury bills classified at amortized cost	347,423,258	347,423,258
Total assets under leverage arrangements	4,943,206,258	823,039,258
Offsetting to leverage arrangement with BDL	(4,943,206,258)	(823,039,258)
Net	-	-

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

	December 31, 2019 LBP'000	December 31, 2018 LBP'000
Checks in course of collection	41,526,034	60,256,537
Current accounts	263,164,673	428,536,797
Current accounts - associate bank (Note 47)	-	7,426,776
Overnight placements	98,200,249	342,697,420
Term placements	294,174,479	625,441,679
Pledged deposits (Note 50)	62,758,731	132,810,209
Accrued interest receivable	2,534,048	1,799,125
	762,358,214	1,598,968,543
Allowance for expected credit losses – Note 54	(413,215)	(202,995)
	761,944,999	1,598,765,548

The Group has current accounts and term placements with banks amounting to LBP5.26billion and LBP97.7billion as of December 31, 2019 and 2018, respectively, subject to right of set-off against trade finance exposures related to financial institutions in the form of letters of credit, acceptances and letter of guarantee.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2019		
	LBP	C/V of F/Cy	Total
	LBP'000	LBP'000	LBP'000
Quoted equity securities	-	53,826	53,826
Unquoted equity securities	-	14,215,725	14,215,725
Lebanese treasury bills	7,246,618	-	7,246,618
Lebanese Government bonds	-	3,977,423	3,977,423
Certificates of deposit issued by the Central Bank of Lebanon	15,087,801	-	15,087,801
Foreign Government treasury bills	-	96,358,057	96,358,057
Accrued interest receivable, net of tax	445,213	88,287	533,500
	22,779,632	114,693,318	137,472,950

	December 31, 2018		
	LBP	C/V of F/Cy	Total
	LBP'000	LBP'000	LBP'000
Quoted equity securities	-	10,872,005	10,872,005
Unquoted equity securities	-	48,540,304	48,540,304
Lebanese treasury bills	432,760,030	-	432,760,030
Lebanese Government bonds	-	235,285,861	235,285,861
Certificates of deposit issued by the Central Bank of Lebanon	246,164,268	247,131,383	493,295,651
Foreign Government treasury bills	-	77,533,343	77,533,343
Accrued interest receivable, net of tax	10,680,816	6,954,840	17,635,656
	689,605,114	626,317,736	1,315,922,850

Net interest income, gains and losses on financial assets' portfolio at fair value through profit or loss are detailed under Note 36.

Accrued interest receivable as at December 31, 2019, is stated net of tax in the amount of LBP49.6million on interest from Lebanese Treasury bills in LBP and certificates of deposits issued by the Central Bank of Lebanon (LBP35million as at December 31, 2018).

8. LOANS TO BANKS

	December 31,	
	2019	2018
	LBP'000	LBP'000
Loans to a resident housing bank (a)	5,254,400	9,278,800
Discounted acceptances (b)	152,281,048	101,264,112
Short term loans (c)	97,155,070	145,757,198
Accrued interest receivable	520,744	1,037,102
Less: Deferred interest	(965,709)	(673,049)
	254,245,553	256,664,163
Less: Allowance for expected credit losses – Note 54	(1,990,710)	(1,347,939)
	252,254,843	255,316,224

(a) Loans to a resident housing bank represent 12 year LBP loans granted to this bank. Interest is collected semi-annually and reset every 3 years. The loans are payable after a grace period of 2 years from the withdrawal date in 10 annual equal installments. As a guarantee for these loans, the borrower has pledged in favour of the Group bills related to the housing loans granted to its customers.

(b) Discounted acceptances represent facilities derived from trade finance activity (discounted letters of credit) mainly granted to Middle Eastern and African banks. These balances are denominated in foreign currencies.

(c) Short term loans represent short term financing provided by the Group to an associate and other banks mainly against trade finance operations.

9. LOANS AND ADVANCES TO CUSTOMERS

	December 31, 2019		
	Gross Amount	Expected Credit Loss	Carrying Amount
	LBP'000	LBP'000	LBP'000
Performing loans:			
Retail	3,652,332,511	(5,752,344)	3,646,580,167
Corporate and SME	3,558,781,499	(119,311,740)	3,439,469,759
Credit impaired			
Retail	72,149,057	(14,442,380)	57,706,677
Corporate and SME	481,366,600	(202,831,780)	278,534,820
Accrued interest receivable	8,914,113	-	8,914,113
	7,773,543,780	(342,338,244)	7,431,205,536

	December 31, 2018		
	Gross Amount	Expected Credit Loss	Carrying Amount
	LBP'000	LBP'000	LBP'000
Performing loans:			
Retail	3,475,043,029	(4,404,002)	3,470,639,027
Corporate and SME	4,985,330,996	(150,006,332)	4,835,324,664
Credit impaired:			
Retail	47,121,798	(14,667,799)	32,453,999
Corporate and SME	342,717,906	(134,399,760)	208,318,146
Accrued interest receivable	8,767,547	-	8,767,547
	8,858,981,276	(303,477,893)	8,555,503,383

Loans and advances to customers as at December 31, 2018, included advances denominated in USD, Euro, AUD and Arab Emirates Dirham (AED) in the equivalent amount of LBP531.6billion, LBP149billion, LBP13.5billion and LBP21.8billion, respectively, granted to certain customers against credit balances in the same currencies under "customers' and related parties' deposits ". During 2019, the customers settled the advances against the credit balances.

Performing loans and advances to customers as at December 31, 2018, include loan balances in U.S. Dollar aggregating to LBP6.8billion granted to customers against credit balances in Lebanese Pounds aggregating LBP8.6billion and margins in U.S. Dollar aggregating LBP3.7billion reflected under "Customers' and related parties' deposits".

Loans and advances to customers include creditors accidentally debtors' balances aggregating to LBP25.25billion as at December 31, 2019 (LBP10.4billion in 2018).

The movement of allowance for expected credit losses during 2019 and 2018 is summarized under Note 54.

10. LOANS AND ADVANCES TO RELATED PARTIES

	December 31, 2019		
	Gross Amount	Expected Credit Loss	Carrying Amount
	LBP'000	LBP'000	LBP'000
Performing Loans:			
Retail	12,885,040	(22,458)	12,862,582
Corporate and SME	50,686,289	(1,591,557)	49,094,732
Accrued interest receivable	82,325	-	82,325
	63,653,654	(1,614,015)	62,039,639

	December 31, 2018		
	Gross Amount	Expected Credit Loss	Carrying Amount
	LBP'000	LBP'000	LBP'000
Performing Loans:			
Retail	11,591,066	(38,330)	11,552,736
Corporate and SME	116,420,549	(2,805,906)	113,614,643
Accrued interest receivable	110,067	-	110,067
	128,121,682	(2,844,236)	125,277,446

Loans and advances to related parties are partially covered by collaterals (Refer to Note 47).

11. INVESTMENT SECURITIES

This caption consists of:

	December 31,	
	2019	2018
	LBP'000	LBP'000
Financial assets at fair value through other comprehensive income (A)	16,631,674	15,681,430
	16,631,674	15,681,430
Financial assets at amortized cost (B)	6,309,327,230	7,594,431,611
Accrued interest receivable, net of tax	75,691,618	114,074,533
Allowance for expected credit losses – Note 54	(709,411,709)	(46,471,263)
	5,675,607,139	7,662,034,881
	5,692,238,813	7,677,716,311

A) Financial assets at fair value though other comprehensive income:

Investments at fair value through other comprehensive income consisting of unquoted equity securities include an amount of LBP6.5billion as at December 31, 2019 representing the Group's share in startups/incubators established based on co-sharing agreements with the regulator providing the funding (LBP5.5billion as at December 31, 2018).

B) Financial assets at amortized cost:

	December 31, 2019			
	Amortized Cost	Accrued Interest Receivable	Expected Credit Loss	Net Carrying Amount
	LBP'000	LBP'000	LBP'000	LBP'000
Lebanese treasury bills	791,257,616	12,623,665	(11,869,232)	792,012,049
Lebanese Government bonds	2,742,339,199	15,102,782	(689,575,272)	2,067,866,709
Foreign government bonds	98,324,784	1,066,207	-	99,390,991
Certificates of deposit issued by the Central Bank of Lebanon	2,245,318,610	45,052,807	(7,905,437)	2,282,465,980
Certificates of deposit issued by financial private sector	52,644,852	27,807	-	52,672,659
Bonds issued by financial private sector	379,442,169	1,818,350	(61,768)	381,198,751
	6,309,327,230	75,691,618	(709,411,709)	5,675,607,139

	December 31, 2018			
	Amortized Cost	Accrued Interest Receivable	Expected Credit Loss	Net Carrying Amount
	LBP'000	LBP'000	LBP'000	LBP'000
Lebanese treasury bills	972,387,429	16,009,826	(4,947,942)	983,449,313
Lebanese Government bonds	3,364,782,151	38,238,541	(36,636,890)	3,366,383,802
Foreign Government bonds	98,405,690	917,954	-	99,323,644
Certificates of deposit issued by the Central Bank of Lebanon	2,734,122,958	56,204,763	(4,747,153)	2,785,580,568
Certificates of deposit issued by financial private sector	19,020,225	72,699	-	19,092,924
Bonds issued by financial private sector	405,713,158	2,630,750	(139,278)	408,204,630
	7,594,431,611	114,074,533	(46,471,263)	7,662,034,881

During 2019, the Group entered into one exchange transaction with the Central Bank of Lebanon of Lebanese treasury bills classified at amortized cost with a nominal value of LBP83billion against certificates of deposit issued by the Central Bank of Lebanon in Lebanese Pounds with a nominal value of LBP88billion.

The above transaction resulted in aggregate losses in the amount of LBP5.7billion which are deferred as a yield adjustment to be amortized to profit or loss over the period remaining to maturity of the acquired securities. An amount of LBP167million was amortized and recorded under "Interest income" in the consolidated statement of profit or loss for the year ended December 31, 2019.

During 2018, the Group entered into several exchange transactions with the Central Bank of Lebanon of certificates of deposit in Lebanese Pounds classified at amortized cost with a nominal value of LBP1,212billion and Lebanese treasury bills classified at amortized cost with a nominal value of LBP322.7billion against certificates of deposit issued by the Central Bank of Lebanon in Lebanese Pounds with a nominal value of LBP1,570billion.

The above transactions resulted in aggregate losses in the amount of LBP38.1billion which are deferred as a yield adjustment to be amortized to profit or loss over the period remaining to maturity of the acquired securities. An amount of LBP1.6billion was amortized and recorded under "Interest income" in the consolidated statement of profit or loss for the year ended December 31, 2019 (LBP 1.2billion for the year ended December 31,2018).

During 2019 and 2018, the Group entered into several sales transactions of debt securities at amortized cost that resulted in net losses of LBP56billion in 2019 (Gains of LBP641million in 2018) recognized in the consolidated statement of profit or loss. (Losses)/gains on derecognition of financial assets at amortized cost resulted from the sale of the following debt securities:

	2019 LBP'000	2018 LBP'000
Lebanese Government bonds	(54,033,949)	299,958
Lebanese treasury bills	-	174
Certificates of deposits issued by the Central Bank of Lebanon	(2,447,760)	-
Bonds issued by financial private sector	418,844	341,251
	(56,062,865)	641,383

The sales transactions were entered into for the purpose of liquidity gap and yield management, exchange of financial assets with the Central bank of Lebanon, deterioration of the credit rating, and currency risk management.

Certain investment securities at amortized cost are pledged against term borrowings (Note 50).

12. 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). The commitments resulting from these acceptances are stated as a liability in the statement of financial position for the same amount.

	December 31,	
	2019 LBP'000	2018 LBP'000
Customers' liability under acceptance	306,333,508	400,305,358
Allowance for expected credit losses – Note 54	(2,596,276)	(701,213)
	303,737,232	399,604,145

13. INVESTMENT IN AN ASSOCIATE

Investment in an associate as at December 31, 2019 and 2018 consists of 20% equity stake in the share capital of Sudanese French Bank. The movement of the investment balance during 2019 and 2018 is as follows:

	2019		2018	
	USD	C/V in LBP'000	USD	C/V in LBP'000
Balance at January 1	31,676,296	47,752,017	31,011,156	46,749,318
Share in net profit (Note 37)	1,118,325	1,685,875	733,080	1,105,118
Distribution of dividends	(83,618)	(126,054)	(67,940)	(102,419)
Balance at December 31	32,711,003	49,311,838	31,676,296	47,752,017
Less: Allowance for impairment	(16,413,240)	(24,742,960)	(16,413,240)	(24,742,960)
Net balance at December 31	16,297,763	24,568,878	15,263,056	23,009,057

The movement of allowance for impairment during 2019 and 2018 is summarized as follows:

	December 31,	
	2019 LBP'000	2018 LBP'000
Balance at January 1	24,742,960	5,213,980
Additions (Note 37)	-	11,300,000
Transfer from "provision for risks and charges" (Note 24)	-	8,228,980
Balance at December 31	24,742,960	24,742,960

The following tables illustrate summarized financial information of the Group's investment in Sudanese French Bank :

December 31, 2019						
Total Assets LBP'000	Total Liabilities LBP'000	Net Assets LBP'000	Net Profit LBP'000	Share in Ownership %	Group's share of net Assets LBP'000	Group's share in Profit LBP'000
377,726,715	339,565,636	38,161,079	8,429,373	20	7,632,216	1,685,875

December 31, 2018						
Total Assets LBP'000	Total Liabilities LBP'000	Net Assets LBP'000	Net Profit LBP'000	Share in Ownership %	Group's share of net Assets LBP'000	Group's share in Profit LBP'000
305,377,843	278,826,539	26,551,304	5,525,592	20	5,310,261	1,105,118

14. ASSETS ACQUIRED IN SATISFACTION OF LOANS

Assets acquired in satisfaction of loans have been acquired through extinguishment and/or restructuring of debt.

The movement of assets acquired in satisfaction of loans was as follows:

	Real Estate LBP'000
Gross Amount:	
Balance at January 1, 2018	23,768,970
Additions	2,264,891
Disposals	(440,877)
Balance at December 31, 2018	25,592,984
Additions	73,980,965
Disposals	(17,845,127)
Balance at December 31, 2019	81,728,822
Allowance for impairment:	
Balance at January 1, 2019	(1,026,266)
Write-back to statement of profit or loss	27,351
Allocation to free reserves	1,859
Balance at December 31, 2019	(997,056)
Carrying Amount:	
Balance at December 31, 2019	80,731,766
Balance at December 31, 2018	24,566,718

During 2019, the Group sold assets acquired in satisfaction of loans with an aggregate cost of LBP17.8billion (LBP441million during 2018), which resulted in a gain in the amount of LBP3.57billion (gain of LBP652million during 2018) reflected in the consolidated statement of profit or loss under "Other operating income (net)" (Note 37).

The fair value of assets acquired in satisfaction of loans amounted to LBP106billion as at December 31, 2019 (LBP36.7billion as at December 31 2018). The valuation is made by Bank's internal experts and/or external experts.

The acquisition of assets in settlement of loans in Lebanon is regulated by the banking regulatory authorities and should be liquidated within 2 years. Up to July 20, 2018, in case of default of liquidation, a regulatory reserve should be appropriated from the yearly net profits over a period of 5 years. This reserve is reduced to 5% annually when certain conditions linked to the restructuring of non-performing loans are met and subject to the approval of the Central Bank of Lebanon. Effective July 20, 2018, the regulatory reserve of all assets acquired in satisfaction of loans where the 2 years grace period for disposal elapses on or after July 20, 2018 should be appropriated from profit over a period of 20 years. This regulatory reserve is reflected under equity. In this connection, an amount of LBP2.29billion was appropriated in 2019 (LBP2.29billion in 2018). An amount of LBP1.29billion was transferred during 2019 to retained earnings upon the sale of the related foreclosed assets (LBP367million in 2018) (Note 28).

15. PROPERTY AND EQUIPMENT

The movement of property and equipment during 2019 and 2018 was as follows:

	Buildings and Real Estate LBP'000	Furniture LBP'000	Equipment LBP'000	Vehicles LBP'000	Installations and Improvement LBP'000	Advance Payments on Capital Expenditure LBP'000	Total LBP'000
Gross Amount:							
Balance at January 1, 2019	265,031,554	45,476,180	63,497,920	753,234	88,178,297	12,337,625	475,274,810
Additions	30,403,245	1,961,078	2,245,432	55,722	666,295	15,683,467	51,015,239
Disposals	-	(249,884)	(785,523)	(162,826)	(1,465,223)	-	(2,663,456)
Transfers between categories	5,550	749,018	2,407,722	-	10,304,000	(13,466,290)	-
Transfers to intangible assets	-	-	-	-	-	(305,755)	(305,755)
Write off to profit or loss	-	-	-	-	-	(849,772)	(849,772)
Effect of exchange rate changes	1,451,749	(695,513)	95,666	(424)	750,025	(8,442)	1,593,061
Balance at December 31, 2019	296,892,098	47,240,879	67,461,217	645,706	98,433,394	13,390,833	524,064,127
Accumulated depreciation:							
Balance at January 1, 2019	(32,753,755)	(28,214,916)	(49,079,474)	(509,388)	(69,244,641)	-	(179,802,174)
Charge for the year (Note 42)	(3,198,167)	(3,072,316)	(5,831,226)	(83,133)	(8,826,119)	-	(21,010,961)
Eliminated at disposals	-	204,865	723,134	130,200	1,169,147	-	2,227,346
Effect of exchange rate changes	(15,114)	265,002	77,513	(3,239)	(361,069)	-	(36,907)
Balance at December 31, 2019	(35,967,036)	(30,817,365)	(54,110,053)	(465,560)	(77,262,682)	-	(198,622,696)
Impairment allowance:							
Balance at December 31, 2019	(300,000)	-	-	-	-	-	(300,000)
Carrying amount:							
At December 31, 2019	260,625,062	16,423,514	13,351,164	180,146	21,170,712	13,390,833	325,141,431

	Buildings and Real Estate LBP'000	Furniture LBP'000	Equipment LBP'000	Vehicles LBP'000	Installations and Improvement LBP'000	Advance Payments on Capital Expenditure LBP'000	Total LBP'000
Gross Amount:							
Balance at January 1, 2018	250,635,545	42,539,441	59,228,318	830,620	78,908,949	11,083,829	443,226,702
Additions	17,445,749	2,904,254	5,494,013	-	900,033	15,313,886	42,057,935
Disposals	-	(22,885)	(649,282)	(70,480)	(1,211,314)	(534,823)	(2,488,784)
Transfers between categories	-	165,223	109,444	-	10,449,728	(10,724,395)	-
Transfers to intangible assets	-	-	-	-	-	(1,704,528)	(1,704,528)
Write-off to profit or loss	(673,676)	-	-	-	-	(735,793)	(1,409,469)
Other	-	-	-	-	-	(334,666)	(334,666)
Effect of exchange rate changes	(2,376,064)	(109,853)	(684,573)	(6,906)	(869,099)	(25,885)	(4,072,380)
Balance at December 31, 2018	265,031,554	45,476,180	63,497,920	753,234	88,178,297	12,337,625	475,274,810
Accumulated depreciation:							
Balance at January 1, 2018	(29,696,259)	(25,204,404)	(44,480,116)	(486,192)	(62,356,146)	-	(162,223,117)
Charge for the year (Note 42)	(3,073,781)	(3,073,562)	(5,354,526)	(95,721)	(8,788,576)	-	(20,386,166)
Eliminated at disposals	-	3,479	320,807	70,480	1,236,380	-	1,631,146
Effect of exchange rate changes	16,285	59,571	434,361	2,045	663,701	-	1,175,963
Balance at December 31, 2018	(32,753,755)	(28,214,916)	(49,079,474)	(509,388)	(69,244,641)	-	(179,802,174)
Impairment allowance:							
Balance at December 31, 2018	(300,000)	-	-	-	-	-	(300,000)
Carrying amount:							
Balance at December 31, 2018	231,977,799	17,261,264	14,418,446	243,846	18,933,656	12,337,625	295,172,636

During 2019, the Group acquired a building along with its surrounding land located at 62 PITT street Sydney for AUD52.9million (C/V of LBP55.8billion). A portion of the building and its surrounding land in the amount of AUD27.27million (C/V of LBP28.75billion) will be used by the Group for its operations and has accordingly been classified as under "building and real estate". The remaining portion of the building in the amount of AUD25.6million (C/V of LBP27billion) will be leased to tenants and have been classified as investment properties under other assets (Note 18).

Additions during 2019 and 2018 to "furniture", "equipment" and "advance payments on capital expenditures" represent mainly costs incurred in connection with the opening and refurbishment of branches in Lebanon. In this connection, the Group transferred from advance payments on capital expenditures to Installations and Improvement, Equipment and Furniture an amount of LBP13.5billion during 2019 (LBP10.7billion during 2018) representing mainly the new branches' preparation cost.

16. GOODWILL

	December 31, 2019			December 31, 2018		
	LBP	C/V of F/Cy	Total	LBP	C/V of F/Cy	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Beirut Life S.A.L.	452,265	-	452,265	452,265	-	452,265
Bank of Sydney Ltd	-	86,582,170	86,582,170	-	86,582,170	86,582,170
Bank of Beirut (UK) Ltd	-	-	-	-	1,432,269	1,432,269
	452,265	86,582,170	87,034,435	452,265	88,014,439	88,466,704

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination. The Group has determined that each subsidiary constitutes a single cash generating unit and tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the cash generating unit is determined from value in use calculations or market comparability approach, as applicable. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to net interest margin during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Business. The growth rates are based on industry growth forecasts. Changes in net interest margin are based on expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the subsidiary and extrapolates cash flows for the review period based on the assumption that the cash flows will remain relatively stable throughout the period under review.

The market average multiple of equity for acquisitions of similar sized cash generating units is used to determine the recoverable amount of the cash generating unit when using the market comparability approach.

During 2019, the Group wrote-off the goodwill arising from its investment in Bank of Beirut (UK) Ltd in the amount of LBP1.45billion, recorded under "write-off of goodwill" in the consolidated statement of profit or loss.

17. RIGHT-OF-USE ASSETS / LEASE LIABILITY

The Bank is a lessee in a number of leases consisting of retail branches. Leases of Buildings and Freehold Improvements generally have lease terms between 2 and 12 years. The Bank's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Bank is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options.

The Bank also has certain leases with lease terms of 12 months or less. The Bank applies the 'short-term lease' recognition exemption for these leases.

The movement of the Group's right-of-use assets and lease liabilities during the year ended December 31, 2019 is summarized as follows :

	Right-of-use Assets LBP'000	Lease Liabilities LBP'000
Balance at January 1, 2019	50,640,554	50,846,219
Additions	1,940,240	1,940,240
Depreciation expense (Note 42)	(6,365,386)	-
Impairment of right-of-use assets	(271,366)	-
Interest expense (Note 33)	-	1,914,910
Payments of lease liabilities	-	(9,743,829)
Currency translation adjustments	(17,848)	4,335
Effect of exchange rate changes	(11,610)	(13,010)
Balance at December 31, 2019	45,914,584	44,948,865

18. OTHER ASSETS

	December 31, 2019 LBP'000	December 31, 2018 LBP'000
Medical costs receivable from National Social security Fund (a)	9,109,530	9,117,490
Intangible assets (b)	17,744,141	19,130,194
Fair value of derivatives assets (c)	21,896,799	19,431,077
Deferred tax asset (d)	3,822,514	3,177,302
Prepayments	8,954,148	13,496,784
Regulatory blocked deposit (e)	4,500,000	4,500,000
Sundry accounts receivable	30,392,956	23,940,021
Investment properties (f)	26,565,469	-
Other	1,739,333	1,774,825
	124,724,890	94,567,693
Allowance for expected credit losses – Note 54	(1,118,705)	(1,105,366)
	123,606,185	93,462,327

(a) Medical costs receivable from the National Social Security Fund represent medical expenses settled by the Group to employees and expected to be recovered within three years from the date they were incurred because of substantial settlement delays by the National Social Security Fund.

(b) The movement of intangible assets is disclosed as follows:

	Software LBP'000	Key Money LBP'000	Total LBP'000
Cost:			
Balance, January 1, 2018	32,066,432	1,658,250	33,724,682
Additions	7,918,885	-	7,918,885
Transfers from property and equipment	1,704,528	-	1,704,528
Disposals	(77,538)	-	(77,538)
Effect of exchange rate changes	(129,942)	-	(129,942)
Balance, December 31, 2018	41,482,365	1,658,250	43,140,615
Additions	3,565,699	-	3,565,699
Transfers from property and equipment	305,755	-	305,755
Disposals	(311,818)	-	(311,818)
Effect of exchange rate changes	4,104	-	4,104
Balance, December 31, 2019	45,046,105	1,658,250	46,704,355
Amortization:			
Balance, January 1, 2018	(19,124,442)	-	(19,124,442)
Amortization for the year (Note 42)	(5,042,144)	-	(5,042,144)
Disposals	77,538	-	77,538
Effect of exchange rate changes	78,627	-	78,627
Balance, December 31, 2018	(24,010,421)	-	(24,010,421)
Amortization for the year (Note 42)	(5,027,955)	-	(5,027,955)
Disposals	100,917	-	100,917
Effect of exchange rate changes	(22,755)	-	(22,755)
Balance, December 31, 2019	(28,960,214)	-	(28,960,214)
Net Book Value:			
Balance, December 31, 2019	16,085,891	1,658,250	17,744,141
Balance, December 31, 2018	17,471,944	1,658,250	19,130,194

(c) The fair value of derivative assets consists of the following:

	December 31,	
	2019	2018
	LBP'000	LBP'000
Interest rate swap	-	63,623
Forward contracts	21,896,799	19,367,454
	21,896,799	19,431,077

(d) Deferred tax asset consists of deferred tax on the following:

	December 31,	
	2019	2018
	LBP'000	LBP'000
Depreciation of property and equipment	421,425	845,036
Provisions	1,782,359	1,793,940
Other	1,618,730	538,326
	3,822,514	3,177,302

(e) The regulatory blocked deposit represents a non-interest earning compulsory deposit placed with the Lebanese Treasury upon the inception of investment banks in accordance with Article 132 of the Lebanese Code of Money and Credit, and is refundable in case of cease of operations.

(f) The movement of investment properties during 2019 is disclosed as follows:

	2019
	LBP'000
Balance at January 1	-
Additions	27,050,364
Depreciation expense (Note 42)	(484,895)
Balance at December 31	26,565,469

During 2019, the Group purchased a new building of which a portion having a cost of LBP27billion was classified as investment properties as the management intends to lease it to tenants (Note 15).

19. DEPOSITS FROM BANKS AND FINANCIAL INSTITUTIONS

	December 31, 2019 LBP'000	December 31, 2018 LBP'000
Current accounts from banks and financial institutions	539,546,503	505,459,552
Current accounts - associate bank (Note 47)	279,641	621,830
Short term deposits (a)	1,228,784,863	1,655,339,929
Repurchase agreements (b)	30,907,519	258,296,934
Pledged deposits (c)	3,022,915	3,007,873
Accrued interest payable	12,050,630	9,925,030
	1,814,592,071	2,432,651,148

(a) Short-term deposits include withdrawals from the Arab Trade Finance Program facility in the amount of LBP7.6billion (USD5,049,810) as of December 31, 2019 (LBP10.9billion (USD7,225,535) in 2018). This facility was granted to the Group to finance imports and exports among Arab countries.

(b) During 2019 and 2018, the Group entered into the following repurchase transactions with foreign financial institutions to sell Lebanese Eurobonds under agreement to repurchase them. These transactions are subject to call margin to be deposited by the Group as collateral in case the securities decline in value. As at December 31, 2019, the carrying amount and the fair value of the Lebanese Eurobonds sold under agreements to repurchase was LBP1,812billion (USD1,202million) and LBP832billion (USD552million) (LBP706billion (USD468million) and LBP560billion (USD371.5million) at December 31, 2018), respectively. Those securities are reflected in the statement of financial position under "debt securities at amortized cost" (note 11). As a result of the decline in value of these collateralized Lebanese Eurobonds, the Group deposited a call margin in the amount of LBP648billion as of December 31, 2019 (LBP43billion as of December 31, 2018) that was netted from the corresponding repurchase agreements as follows:

	December 31, 2019 LBP'000	December 31, 2018 LBP'000
Proceeds from repurchase agreements:		
- 6.55% maturity January 14, 2020	150,750,000	-
- 5.815% maturity March 6, 2023	301,500,000	301,500,000
- 5.915% maturity March 28, 2024	226,596,094	-
Proceeds from repurchase agreements	678,846,094	301,500,000
Less: Cash margin	(647,938,575)	(43,203,066)
Net	30,907,519	258,296,934

(c) Pledged deposits represent deposits pledged by non-resident banks to the favor of the Group against trade finance activities.

20. CUSTOMERS' AND RELATED PARTIES' DEPOSITS

	December 31, 2019		
	LBP	F/Cy	Total
	LBP'000	LBP'000	LBP'000
Deposits from customers:			
Current and demand deposits	417,196,181	1,799,486,159	2,216,682,340
Term deposits	3,788,350,385	11,011,546,733	14,799,897,118
Credit accounts against loans and advances	315,276,323	468,194,660	783,470,983
Margins for irrevocable import letters of credit	70,619,732	49,432,163	120,051,895
Margins on letters of guarantee	8,865,814	42,319,140	51,184,954
Other margins	6,211,323	20,104,253	26,315,576
	4,606,519,758	13,391,083,108	17,997,602,866
Accrued interest payable	62,222,759	61,970,681	124,193,440
Total third party customers' deposits	4,668,742,517	13,453,053,789	18,121,796,306
Deposits from related parties:			
Current and demand deposits	6,550,893	29,060,926	35,611,819
Term deposits	26,093,005	316,103,952	342,196,957
Credit accounts against loans and advances	236,734	17,480,117	17,716,851
Margins on letters of guarantee	5,223	25,090	30,313
Other margins	-	754	754
	32,885,855	362,670,839	395,556,694
Accrued interest payable	554,042	6,131,809	6,685,851
Total related parties' deposits	33,439,897	368,802,648	402,242,545
Total deposits	4,702,182,414	13,821,856,437	18,524,038,851

	December 31, 2018		
	LBP	F/Cy	Total
	LBP'000	LBP'000	LBP'000
Deposits from customers:			
Current and demand deposits	370,194,234	1,586,958,992	1,957,153,226
Term deposits	4,380,692,968	11,584,267,444	15,964,960,412
Credit accounts against loans and advances	370,943,431	1,101,250,418	1,472,193,849
Margins for irrevocable import letters of credit	-	103,578,011	103,578,011
Margins on letters of guarantee	11,533,036	96,125,892	107,658,928
Other margins	6,752,869	22,150,828	28,903,697
	5,140,116,538	14,494,331,585	19,634,448,123
Accrued interest payable	51,550,182	75,300,524	126,850,706
	5,191,666,720	14,569,632,109	19,761,298,829
Deposits from related parties:			
Current and demand deposits	1,948,334	31,665,782	33,614,116
Term deposits	28,389,754	321,393,017	349,782,771
Credit accounts against loans and advances	278,482	72,401,111	72,679,593
Margins on letters of guarantee	4,936	9,981	14,917
Other margins	-	754	754
	30,621,506	425,470,645	456,092,151
Accrued interest payable	156,454	1,098,667	1,255,121
	30,777,960	426,569,312	457,347,272
Total deposits	5,222,444,680	14,996,201,421	20,218,646,101

Customers' and related parties' deposits at amortized cost are allocated by brackets of deposits as follows (excluding accrued interest payable):

	December 31, 2019			
	LBP Total Deposits LBP'000	F/Cy Total Deposits LBP'000	% of Customers	% of Deposits
Deposits from customers:				
Less than LBP 500 million	2,198,955,781	4,235,649,781	95.98	35.77
From LBP 500 million to LBP 1.5 billion	794,888,244	2,718,610,126	2.84	19.53
From LBP 1.5 billion to LBP 5 billion	441,853,142	2,304,439,204	0.95	15.26
Over LBP 5 billion	1,170,822,591	4,132,383,997	0.23	29.44
	4,606,519,758	13,391,083,108	100.00	100.00
Deposits from related parties:				
Less than LBP 500 million	1,894,912	10,438,431	73.35	3.12
From LBP 500 million to LBP 1.5 billion	2,652,972	17,949,143	14.32	5.21
From LBP 1.5 billion to LBP 5 billion	1,908,355	22,078,615	8.87	6.06
Over LBP 5 billion	26,429,616	312,204,650	3.46	85.61
	32,885,855	362,670,839	100.00	100.00
	4,639,405,613	13,753,753,947		

	December 31, 2018			
	LBP Total Deposits LBP'000	F/Cy Total Deposits LBP'000	% of Customers	% of Deposits
Deposits from customers:				
Less than LBP 500 million	2,459,971,253	3,743,776,773	96.43	31.60
From LBP 500 million to LBP 1.5 billion	901,838,318	2,525,269,921	2.55	17.45
From LBP 1.5 billion to LBP 5 billion	562,605,859	2,366,528,611	0.78	14.92
Over LBP 5 billion	1,215,701,108	5,858,756,280	0.24	36.03
	5,140,116,538	14,494,331,585	100.00	100.00
Deposits from related parties:				
Less than LBP 500 million	2,758,415	9,190,190	75.31	2.02
From LBP 500 million to LBP 1.5 billion	1,526,191	9,661,396	9.76	1.89
From LBP 1.5 billion to LBP 5 billion	3,392,400	16,646,837	5.88	4.25
Over LBP 5 billion	22,944,500	389,972,222	9.05	91.84
	30,621,506	425,470,645	100.00	100.00
	5,170,738,044	14,919,802,230		

Deposits from customers include as at December 31, 2019 coded deposit accounts in the aggregate of LBP35.2billion (LBP33.1billion as at December 31, 2018). These accounts are subject to the provisions of Article 3 of the Banking Secrecy Law dated September 3, 1956 which provides that the Bank's management, in the normal course of business, cannot reveal the identities of these depositors to third parties, including its independent public accountants.

Deposits from customers include as at December 31, 2019 deposits of fiduciary nature received from resident and non-resident banks for a total amount of LBP51billion and LBP31.5billion respectively (LBP167billion and LBP512billion in 2018).

The average balance of customers' deposits and related cost of funds over the last 3 years are as follows:

Year	Average Balance of Deposits	Allocation of Deposits		Cost of Funds	Average Cost of Funds
	LBP'000	LBP	F/Cy	LBP'000	%
		%	%		
Year 2019	18,466,728,614	28	72	1,092,654,812	5.92
Year 2018	18,296,340,042	30	70	862,091,142	4.71
Year 2017	17,384,842,902	32	68	748,608,580	4.31

The average balance of related parties' deposits and related cost of funds over the last 3 years are as follows:

Year	Average Balance of Deposits	Allocation of Deposits		Cost of Funds	Average Cost of Funds
	LBP'000	LBP	F/Cy	LBP'000	%
		%	%		
Year 2019	476,257,124	9	91	26,616,914	5.59
Year 2018	426,418,898	9	91	16,209,134	3.80
Year 2017	452,767,828	8	92	16,509,477	3.65

21. OTHER BORROWINGS

	December 31, 2019 LBP'000	December 31, 2018 LBP'000
Borrowings from Central Bank of Lebanon (a)	510,351,342	556,311,685
Short term borrowings from Central Bank of Lebanon (b)	625,612,500	-
Borrowings from the European Investment Bank (c)	2,516,740	5,784,294
	1,138,480,582	562,095,979
Accrued interest payable	9,057,891	5,853,863
	1,147,538,473	567,949,842

(a) Borrowings from Central Bank of Lebanon as of December 31, 2019 and 2018 represent facilities in accordance with Central Bank of Lebanon Basic Decision No.6116 of March 7, 1996 and its amendments by which the Group benefited from credit facilities granted against loans that the Group granted at its own risk to customers pursuant to certain conditions, rules and mechanism.

(b) During 2019, the Bank was granted several loans from the Central Bank of Lebanon, of which USD415million (C/V of LBP625.6billion) was outstanding at year end. These loans bear an annual interest rate of 20%.

(c) Borrowings from European Investment Bank are summarized as follows:

December 31, 2019 C/V LBP'000	December 31, 2018 C/V LBP'000	Final Maturity Year	Average Interest Rate %
-	1,870,370	2019	4.03
255,490	748,174	2020	4.93
2,261,250	3,165,750	2022	4.84
2,516,740	5,784,294		

Borrowings from the European Investment Bank were obtained to finance loans granted to customers in the manufacturing sector.

The movement of other borrowings is detailed as follows:

	2019 LBP'000	2018 LBP'000
Balance at January 1	562,095,979	833,400,212
Financing cash flows	2,127,014,664	24,148,732
Settlements	(1,550,630,061)	(295,452,965)
Balance at December 31	1,138,480,582	562,095,979

22. CERTIFICATES OF DEPOSIT

	December 31,			
	2019		2018	
	C/V of F/Cy LBP'000	Average Interest Rate %	C/V of F/Cy LBP'000	Average Interest Rate %
Certificates of deposit	633,988	2.25	604,066	2.25
Accrued interest payable	3,049		2,979	
	637,037		607,045	

23. OTHER LIABILITIES

	December 31, 2019 LBP'000	December 31, 2018 LBP'000
Checks and incoming payment orders in course of settlement	43,975,895	50,277,018
Fair value of derivative financial liabilities (a)	6,358,440	8,578,459
Dividends payable	-	8,587,066
Deferred tax liability (b)	7,387,073	9,652,227
Accrued expenses	50,688,740	33,714,573
Deferred income	5,481,534	6,609,603
Income tax payable (c)	21,067,383	46,618,111
Withheld taxes	12,807,884	13,041,331
Fair value of financial guarantees	3,574,862	3,897,789
Margins on letters of credit - banks	70,996,653	121,345,948
Margins on letters of credit - associate bank (Note 47)	-	264
Margins on letters of guarantee - banks	3,491,887	9,766,405
Sundry accounts payable	51,294,340	36,609,657
Unfavorable exchange difference on fixed currency position (Note 25)	49,082	49,082
Discount on forward deals (net)	10,184,068	16,215,657
	287,357,841	364,963,190

(a) Fair value of derivative financial liabilities consists of the following:

	December 31, 2019 LBP'000	December 31, 2018 LBP'000
Interest rate swap (Note 45)	3,981,187	1,152,989
Forward contracts	2,377,253	7,425,470
	6,358,440	8,578,459

The Group uses interest rate swaps, and forward contracts for hedging purposes only. These represent commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates.

(b) The deferred tax liability consists of the following:

	December 31, 2019 LBP'000	December 31, 2018 LBP'000
Deferred tax liability on undistributed profits from subsidiaries	7,387,073	9,652,227
	7,387,073	9,652,227

The movement of deferred tax liability which relates to undistributed profits from subsidiaries during 2019 and 2018 was as follows:

	2019 LBP'000	2018 LBP'000
Balance at January 1	9,652,227	7,749,040
Prior year adjustment	(1,668,517)	-
Additions	1,403,363	3,453,187
Settlements	(2,000,000)	(1,550,000)
Balance at December 31	7,387,073	9,652,227

During 2019, three of the Group's subsidiaries paid cash dividends in the amount of LBP20billion (three of the Group's subsidiaries paid cash dividends in the amount of LBP15.5billion during 2018). The related distribution tax amount of LBP2billion (LBP1.55billion during 2018) was settled from the deferred tax liability in 2019.

At December 31, 2019, a deferred tax liability for temporary differences related to the undistributed profits of foreign subsidiaries was not recognized on the grounds that management has committed to retain the profits in two of its foreign subsidiaries for purpose of permanent capitalization of profits.

(c) The following table explains the relationship between taxable income and accounting income:

	2019 LBP'000	2018 LBP'000
(Loss)/income before income tax	(159,058,356)	369,067,771
Income from subsidiaries, managed funds and foreign branches	(10,908,849)	(101,127,769)
	(169,967,205)	267,940,002
Add: Non-deductible expenses	807,983,518	35,892,352
Less: Non-taxable revenues or revenues subject to tax in previous periods	(533,490,053)	(54,110,467)
Taxable income	104,526,260	249,721,887
Income tax (17%)	17,769,464	42,452,721
Add: Income tax expense on subsidiaries and foreign branches	5,822,931	11,514,484
Tax expense for the year	23,592,395	53,967,205
Less: Tax paid during the year in the form of withholding tax	-	-
Less: Subsidiaries and foreign branches income tax paid	(2,525,012)	(7,349,094)
Income tax payable as at December 31	21,067,383	46,618,111

The tax returns of the Bank and most of its Lebanese subsidiaries for the years 2015 to 2019 remain subject to examination and final tax assessment by the tax authorities. Any additional liability depends on the result of these reviews.

Oman branch's tax assessments for the years 2015 to 2019 have yet to be finalized by the Secretariat General for Taxation. The management believes that additional taxes, if any, in respect of open tax assessments would not be material to the Group's results and financial position as of the reporting date.

(d) In accordance with the Central Bank of Lebanon Intermediary Circular number 446 dated December 30, 2016, banks should record the surplus derived from sale of treasury bills in Lebanese pounds against investment in medium term certificates of deposits in foreign currency issued by the Central Bank of Lebanon under deferred liability which is regulated in nature, and shall be appropriated, among other things, after deducting the relevant tax liability, to collective provision for credit risks associated with the loan book at a minimum of 2% of the weighted Credit risks, and that in anticipation of implementation of IFRS 9 for Impairment, as and when quantified effective on January 1, 2018. By virtue of this Circular, 70% of the remaining residual surplus once recognized over time shall be treated as non-distributable income designated and restricted only for appropriation to capital increase.

In light with the above, the Group appropriated on January 1, 2018 an amount of LBP227.5billion, net of tax, out of this surplus to equity under "Reserves and Retained Earnings" to offset the expected loss provisions resulted from the application of IFRS 9 and transferred an amount of LBP11.3billion net of tax to income (Note 37) against impairment loss of investment in an associate (Note 14), in accordance with the Central Bank of Lebanon requirements as indicated above.

24. PROVISIONS

	December 31,	
	2019	2018
	LBP'000	LBP'000
Provision for staff and executive management termination indemnity (a)	33,301,290	36,279,094
Provision for risks and charges (b)	1,281,375	1,281,375
Provision for loss on foreign currency position	194,000	194,000
Provision for expected credit losses on off-balance sheet commitments – Note 54	4,508,063	4,934,559
Provision for insurance contracts liabilities	31,762,090	21,022,993
Other	121,871	123,191
	71,168,689	63,835,212

(a) The movement of provision for staff termination indemnity is as follows:

	2019	2018
	LBP'000	LBP'000
Balance at January 1	36,279,094	33,824,892
Additions (Note 40)	1,688,629	5,137,271
Settlements	(4,666,433)	(2,683,069)
Balance at December 31	33,301,290	36,279,094

(b) The movement of provision for risks and charges is as follows:

	2019	2018
	LBP'000	LBP'000
Balance at January 1	1,281,375	9,495,355
Prior year adjustments	-	15,000
Transfer to provision for investment in an associate (Note 13)	-	(8,228,980)
Balance at December 31	1,281,375	1,281,375

25. SHARE CAPITAL

At December 31, 2019 and 2018, the authorized ordinary share capital of Bank of Beirut S.A.L. was LBP82.1billion consisting of 56,234,900 fully paid shares of LBP1,460 par value each.

During 2018, the Group issued 3,050,000 common shares, listed on the Beirut Stock Exchange at an issue price of USD18.8 per share aggregating to USD57,340,000. The par value of each share is LBP1,460. The approval of the Capital Market Authority was obtained on April 18, 2018. The approval of the Central Bank of Lebanon was obtained on September 10, 2018.

As of December 31, 2019 and 2018, the Group had 4,762,000 Series 2014 priority shares (common shares) in the amount of USD100,002,000 with an issue price of USD21 and a par value of LBP1,460. These priority shares earn non-cumulative annual dividends of 4% of the issue price. Any dividends remaining after the payment of priority dividends following the payment of preferred shares dividends, shall be shared on a prorata basis exclusively among the holders of the priority and common shares of the Bank.

Subject to the absence of the Extension Period set below, the earning by the Series 2014 Priority Shares of the Priority Dividend will, automatically and without the need for the approval of, or consultation with, the holders of the Priority Shares, finally cease immediately following the Ordinary General Meeting of the Bank's shareholders that will examine the Bank's audited financial statements for the financial year 2019; without prejudice, however, to the right of the holders of such Priority Shares to receive the distribution of the Priority Dividend, if any, resolved by the Bank's Ordinary General Meeting of shareholders for the financial year 2019. As a result, the Series 2014 Priority Shares will cease to be identified as a special class within the Common Shares of the Bank and become mere Common Shares subject to the rights and obligations devolving on all the Bank's Common Shares.

The Bank shall have the right, but not the obligation, to resolve, prior to the holding of the above mentioned General Meeting, the extension of the Priority Period for two consecutive years (the "Extension Period").

As of December 31, 2019 and 2018, the Bank's capital was partly hedged by maintaining a fixed currency position to the extent of USD13.17million. The revaluation of this position resulted in unfavorable exchange difference in the amount of LBP49million recorded under "Other liabilities" as at December 31, 2019 and 2018 (Note 23).

As of December 31, 2019, the Group had a fixed foreign currency position for an amount of GBP13.6million to partially hedge its investment in a foreign subsidiary in the United Kingdom. The revaluation of this position as of December 31, 2019 resulted in unfavorable variance of LBP4.62billion (unfavorable variance of LBP5.44billion in 2018) recorded in "Fixed currency positions hedging reserve " under equity.

Moreover, as of December 31, 2019, the Group had a fixed spot position for an amount of AUD98million to partially hedge its investment in a foreign Australian subsidiary bank. The revaluation of this position as of December 31, 2019 resulted in an unfavorable variance of LBP47.39billion (unfavorable variance of LBP46.68billion in 2018) recorded in "Fixed currency positions hedging reserve " under equity.

26. PREFERRED SHARES

	December 31,	
	2019	2018
	LBP'000	LBP'000
Non-cumulative perpetual redeemable Series "G" preferred shares	188,362,125	188,362,125
Non-cumulative perpetual redeemable Series "H" preferred shares	203,512,500	203,512,500
Non-cumulative perpetual redeemable Series "I" preferred shares	188,437,500	188,437,500
Non-cumulative perpetual redeemable Series "J" preferred shares	113,062,500	113,062,500
Non-cumulative perpetual redeemable Series "K" preferred shares	150,750,000	150,750,000
	844,124,625	844,124,625

The Group's issued preferred shares carry the following terms:

Non-cumulative perpetual redeemable preferred shares	Number of Shares	Share's issue price	Benefits	Listed on Beirut Stock Exchange
Series "G"	3,570,000	USD 35	6.75% per year	No
Series "H"	5,400,000	USD 25	7% per year	Yes
Series "I"	5,000,000	USD 25	6.75% per year	Yes
Series "J"	3,000,000	USD 25	6.5% per year	Yes
Series "K"	4,000,000	USD 25	6.5% per year	Yes

The Group has the right, at its sole discretion, to redeem on each redemption date all or part of the Series "G", "H", "I", "J" and "K" preferred shares (but not less than 25%). Redemption date means for the first time the financial year during which falls the 5th anniversary of the Extraordinary General Meeting of the Group's shareholders which ascertains the validity and payment of the capital increase by virtue of which the Preferred Shares are issued; and every consecutive 2 years thereafter.

In the event of liquidation of the Bank, holders of preferred shares Series "G", "H", "I", "J" and "K" rank senior to the holders of common and priority shares.

27. SHAREHOLDERS' CASH CONTRIBUTION TO CAPITAL

The shareholders' cash contribution to capital is for a total amount of LBP20.98billion (USD13,916,000) as at December 31, 2019 and 2018 and it is non-interest bearing.

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

28. RESERVES

	December 31,	
	2019	2018
	LBP'000	LBP'000
Legal reserves (a)	222,230,208	197,558,615
Special reserves setup from net release of provision for credit losses	2,094,833	2,096,757
Reserves restricted for capital increase (b)	40,560,677	32,168,878
Issue premiums on common shares (c)	385,505,908	385,505,908
Non-distributable general reserves (d)	296,582,213	296,582,213
Owned buildings' revaluation surplus	1,668,934	1,668,934
Regulatory reserve for assets acquired in satisfaction of loans (Note 14)	12,568,198	11,557,394
	961,210,971	927,138,699

(a) The legal reserve is constituted in conformity with the requirements of the Lebanese Money and Credit Law on the basis of 10% of net profit for Lebanese entities. This reserve is not available for distribution. During 2019, an amount of LBP23.83billion was appropriated to legal reserves (LBP22.7billion during 2018).

(b) The movement of reserves restricted for capital increase during 2019 and 2018 was as follows:

	2019	2018
	LBP'000	LBP'000
Balance at January 1	32,168,878	31,427,755
Additions	8,391,799	741,123
Balance at December 31	40,560,677	32,168,878

During 2019, in compliance with BCC circular no. 173, the Group appropriated an amount of LBP652million (LBP370million in 2018) representing gains from disposals of assets acquired in satisfaction of debts from net income of the previous year to reserves restricted for capital increase (Note 14).

(c) The movement of issue premiums on common shares during 2019 and 2018 was as follows:

	2019 LBP'000	2018 LBP'000
Balance at January 1	385,505,908	303,518,858
Additions (Note 25)	-	81,987,050
Balance at December 31	385,505,908	385,505,908

(d) The movement of non-distributable general reserves during 2019 and 2018 was as follows:

	2019 LBP'000	2018 LBP'000
Balance at January 1	296,582,213	-
Transfer from reserve for general banking risk (e)	-	289,296,013
Transfer from general reserve for performing loans (f)	-	7,286,200
Balance at December 31	296,582,213	296,582,213

In accordance with BDL Basic Circular # 143 issued in November 2017, banks are no longer by the end of the year 2017, required to setup reserves for general banking risks and other reserves for credit risks. Banks are required to appropriate the excess after implementation of IFRS 9 impairment on January 1, 2018, to non-distributable general reserves.

(e) The reserve for general banking risks is constituted according to local banking regulations, from net profit, on the basis of a minimum of 2 per mil and a maximum of 3 per mil of the total risk weighted assets, off-balance sheet risk and global exchange position as defined for the computation of the solvency ratio at year-end. This reserve is constituted in Lebanese Pounds and in foreign currencies in proportion to the composition of the Lebanese bank's total risk weighted assets and off-balance sheet items. This reserve is not available for distribution. During 2018, this reserve was transferred to non-distributable general reserves in accordance with BDL Basic circular # 143.

(f) In compliance with the basic circular no. 81 issued by the Central Bank of Lebanon, the Bank and its local banking subsidiaries are required to transfer from net profit to general reserve for performing loans the equivalent of:

- 0.5% of retail loans that are less than 30 days past due (subject to deductions of some guarantees received) to general reserve for the year 2014 in addition to a percentage of 0.5% yearly over a six year period starting 2015.

- 0.25% of performing corporate loans to general reserve as of end of 2014. This reserve should increase to 0.5% as of end of 2015, 1% as of end of 2016 and 1.5% as of end of 2017. The Bank is exempted from this general reserve if the balance of collective provision is not less than 0.25% of the performing corporate loans portfolio as of end of 2014, 0.5% as of end of 2015, 1% as of end of 2016 and 1.5% as of end of 2017.

During 2018, this reserve was transferred to non-distributable general reserves in accordance with BDL Basic circular # 143 .

29. TREASURY SHARES

The Group is authorized to buy back up to one third of its listed shares on the Beirut Stock Exchange from its free reserves.

	December 31,	
	2019	**2018**
	USD	**USD**
Common Shares	1,866,688	1,420,809
Priority Shares	1,759,569	1,021,545
	3,626,257	2,442,354
Preferred Shares		
Series "G"	-	20,429,872
Series "H"	-	6,360,017
Series "I"	-	12,366,987
Series "J"	-	3,023,162
Series "K"	-	2,000,259
	-	44,180,297
Total	3,626,257	46,622,651
C/V LBP'000	5,466,583	70,283,647

As at December 31, 2018, the preferred shares classified as treasury shares are held by the non-controlling interests related to the consolidated funds. During 2019, the said funds were deconsolidated (Note 52).

During 2018, The Group sold 2,131,788 common shares with an aggregate carrying value of USD30million.

30. NON-CONTROLLING INTERESTS

	December 31, 2019		
	Beirut Life SAL	Managed Funds	Total
	LBP'000	LBP'000	LBP'000
Share in:			
Capital	225,000	-	225,000
Retained earnings	3,904,516	-	3,904,516
Loss for the year	(962,519)	-	(962,519)
	3,166,997	-	3,166,997

	December 31, 2018		
	Beirut Life SAL	Managed Funds	Total
	LBP'000	LBP'000	LBP'000
Share in:			
Capital	225,000	929,439,969	929,664,969
Retained earnings	3,086,114	(61,466,109)	(58,379,995)
Profit for the year	818,402	50,932,731	51,751,133
	4,129,516	918,906,591	923,036,107

During 2019, the Managed funds were deconsolidated (Note 52).

31. DIVIDENDS PAID

	2019	2018
	LBP'000	LBP'000
LBP1,150 (LBP1,150 for 2018) per ordinary share (common and priority)	70,146,435	66,638,935
LBP1,266.3 priority shares Series 2014	6,030,121	6,030,121
LBP3,561.47 (LBP3,561.47 for 2018) per preferred share Series "G"	12,714,443	12,714,443
LBP2,638.13 (LBP2,638.13 for 2018) per preferred share Series "H"	14,245,875	14,245,875
LBP2,543.91 (LBP2,543.91 for 2018) per preferred share Series "I"	12,719,531	12,719,531
LBP2,449.69 (LBP2,449.69 for 2018) per preferred share Series "J"	7,349,063	7,349,063
LBP2,449.69 (LBP2,449.69 for 2018) per preferred share Series "K"	9,798,750	9,798,750
	133,004,218	129,496,718

32. INTEREST INCOME

	2019		
	Interest Income	Withheld Tax	Net Interest Income
	LBP'000	LBP'000	LBP'000
Interest income from:			
Deposits with central banks	1,083,352,364	(60,955,918)	1,022,396,446
Deposits with banks and financial institutions	30,464,109	(35,491)	30,428,618
Loans to banks	6,381,713	-	6,381,713
Financial assets at amortized cost	500,004,111	(24,834,553)	475,169,558
Loans and advances to customers	520,267,541	-	520,267,541
Loans and advances to related parties	5,878,318	-	5,878,318
	2,146,348,156	(85,825,962)	2,060,522,194

	2018		
	Interest Income	Withheld Tax	Net Interest Income
	LBP'000	LBP'000	LBP'000
Interest income from:			
Deposits with central banks	414,788,961	(26,635,999)	388,152,962
Deposits with banks and financial institutions	23,984,160	(124,809)	23,859,351
Loans to banks	8,656,217	-	8,656,217
Investment securities at amortized cost	530,717,920	(24,556,430)	506,161,490
Loans and advances to customers	470,563,996	-	470,563,996
Loans and advances to related parties	5,667,940	-	5,667,940
	1,454,379,194	(51,317,238)	1,403,061,956

33. INTEREST EXPENSE

	2019	2018
	LBP'000	LBP'000
Interest expense on:		
Deposits from banks and financial institutions	125,986,243	63,707,958
Deposits from customers	1,092,654,812	862,091,142
Deposits from related parties	26,616,914	16,209,134
Other borrowings	20,047,275	10,593,685
Lease liability	1,914,910	-
Certificates of deposits	13,853	14,141
	1,267,234,007	952,616,060

34. FEE AND COMMISSION INCOME

	2019 LBP'000	2018 LBP'000
Commissions on documentary credits	33,834,672	44,334,747
Commissions on letters of guarantee	12,098,923	12,765,535
Commissions on money transfers' transactions	5,826,767	7,281,593
Insurance brokerage and service fees	33,659,826	37,954,665
Commissions on fiduciary accounts	2,134,425	1,703,952
Commissions on banking services	32,074,638	31,423,042
Commissions on credit cards	14,687,431	13,592,451
Commissions on capital market transactions	33,645,415	13,093,404
Other	15,128,409	5,145,030
	183,090,506	167,294,419

35. FEE AND COMMISSION EXPENSE

	2019 LBP'000	2018 LBP'000
Commissions on transactions with banks and financial institutions	1,052,174	648,372
Commissions on credit cards	7,727,681	5,432,053
Commissions on fiduciary deposits	1,920,830	1,558,746
Commissions on loans	2,690,070	2,951,355
Commissions on money transfers transactions	1,591,988	1,940,545
Commissions on insurance transactions	7,809,951	8,776,214
Other	8,330,714	5,349,455
	31,123,408	26,656,740

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

	2019 LBP'000	2018 LBP'000
Interest income, net of tax	2,970,202	104,673,535
Change in fair value (net)	(3,852,185)	(36,198,841)
(Loss)/gain on sale	(5,661)	6,930,782
Dividends received	894,715	4,242,695
	7,071	79,648,171

37. OTHER OPERATING INCOME (NET)

	2019 LBP'000	2018 LBP'000
Share in profits of an associate (Note 13)	1,685,875	1,105,118
Impairment loss on investment in an associate (Note 13)	-	(11,300,000)
Transfer from regulatory deferred liability (Note 23)	-	11,300,000
Foreign exchange gain	19,655,608	19,896,410
Gain on forward contracts	4,990,551	4,851,901
Gain on sale of assets acquired in satisfaction of loans (Note 14)	3,573,703	651,803
Loss on sale of property and equipment	-	(25,063)
Dividends on other investments	9,774	8,613
Other (net)	2,453,416	8,265,119
	32,368,927	34,753,901

38. ALLOWANCES FOR EXPECTED CREDIT LOSSES (NET)

	2019 LBP'000	2018 LBP'000
Allowances for expected credit losses (Note 54)	765,174,728	(2,335,435)
Loss from direct write-off of loans and advances	580,229	768,708
	765,754,957	(1,566,727)

39. OTHER PROVISION (NET)

	2019 LBP'000	2018 LBP'000
Provision for insurance liabilities	8,427,872	7,169,570
Write-back of provision for risks and charges	(336,994)	-
	8,090,878	7,169,570

40. STAFF COSTS

	2019 LBP'000	2018 LBP'000
Salaries	120,156,050	114,640,997
Social Security contributions	15,485,364	16,396,924
Executive board members remunerations	-	17,252,858
Provision for end of service indemnities (Note 24)	1,688,629	5,137,271
Other staff benefits	24,712,715	29,374,492
	162,042,758	182,802,542

41. GENERAL AND ADMINISTRATIVE EXPENSES

	2019 LBP'000	2018 LBP'000
Management fees	3,272,349	6,935,322
Cleaning	2,910,422	2,783,599
Telephone, mail and other communication expenses	6,078,853	6,455,902
Office supplies	4,281,572	3,454,387
Advertising and marketing expenses	8,941,125	12,535,171
Electricity and fuel	4,241,557	3,852,757
Maintenance and repair fees	18,804,028	15,605,889
Subscription fees	2,397,564	2,492,389
Donation and gifts	964,341	1,519,311
Reception and entertainment	1,452,298	1,678,025
Professional and regulatory fees	13,826,786	12,513,610
Research and development expenses	1,412,167	1,849,285
Rent expense under operating leases (Note 2)	4,982,758	13,328,398
Insurance expenses	2,078,556	1,795,712
Travel and related expenses	1,881,968	4,032,664
Centrale des risques	1,171,108	697,791
Taxes and fiscal charges	8,737,566	9,592,424
Miscellaneous expenses	22,668,693	21,789,419
	110,103,711	122,912,055

42. DEPRECIATION AND AMORTIZATION

	2019 LBP'000	2018 LBP'000
Depreciation of property and equipment (Note 15)	21,010,961	20,386,166
Amortization of deferred software charges (Note 18 (b))	5,027,955	5,042,144
Amortization of deferred advertising charges	297,187	313,509
Depreciation of right of use assets (Note 17)	6,365,386	-
Depreciation of investment properties (Note 18 (f))	484,895	-
	33,186,384	25,741,819

43. (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK

The consolidated profit for the year attributable to the equity holders of the Bank is allocated as follows:

	Year-Ended December 31, 2019		
	Loss before Tax LBP'000	Current and Deferred Tax LBP'000	Net Loss LBP'000
Bank of Beirut S.A.L	(178,215,179)	(16,507,538)	(194,722,717)
Profit/(loss) of subsidiaries:			
Bank of Beirut UK LTD	3,751,206	(594,674)	3,156,532
Bank of Sydney Ltd	5,978,028	(1,844,718)	4,133,310
Bank of Beirut Invest S.A.L	12,167,200	(1,840,630)	10,326,570
BOB Finance S.A.L	4,288,494	(737,800)	3,550,694
Cofida Holding S.A.L	3,283,498	(5,000)	3,278,498
Beirut Broker Company S.A.L	10,626,987	(1,807,955)	8,819,032
Beirut Life S.A.L	(9,371,108)	(254,080)	(9,625,188)
Medawar 247 S.A.L	(196,655)	-	(196,655)
Medawar 1216 S.A.L	(18,241)	-	(18,241)
	(147,705,770)	(23,592,395)	(171,298,165)
Consolidation eliminations and adjustments	(10,390,067)	(1,403,363)	(11,793,430)
	(158,095,837)	(24,995,758)	(183,091,595)

	Year-Ended December 31, 2018		
	Profit before Tax LBP'000	Current and Deferred Tax LBP'000	Net Profit LBP'000
Bank of Beirut S.A.L	259,790,059	(40,648,004)	219,142,055
Profit/(loss) of subsidiaries:			
Bank of Beirut UK LTD	13,633,240	(2,457,798)	11,175,442
Bank of Sydney Ltd	18,068,439	(5,463,171)	12,605,268
Bank of Beirut Invest S.A.L	16,699,207	(2,625,711)	14,073,496
BOB Finance S.A.L	3,665,031	(631,811)	3,033,220
Cofida Holding S.A.L	2,054,166	(4,980)	2,049,186
Beirut Broker Company S.A.L	11,133,798	(1,892,668)	9,241,130
Beirut Life S.A.L	8,427,082	(243,062)	8,184,020
Medawar 247 S.A.L	(15,581)	-	(15,581)
Medawar 1216 S.A.L	(350,246)	-	(350,246)
	333,105,195	(53,967,205)	279,137,990
Consolidation eliminations and adjustments	(15,788,557)	(3,453,187)	(19,241,744)
	317,316,638	(57,420,392)	259,896,246

44. (LOSSES)/EARNINGS PER SHARE

The computation of the basic earnings per share is based on the Group's net income before non-recurring income and the weighted average number of outstanding shares during each year, net of treasury shares held by the Group.

	December 31, 2019 LBP'000	December 31, 2018 LBP'000
(Losses)/earnings:		
(Loss)/profit for the year attributable to equity holders of the Bank	(183,091,595)	259,896,246
Less: Dividends proposed to non-cumulative preferred shares	-	(56,827,662)
Net (loss)/profit after distribution to non-cumulative preferred shares	(183,091,595)	203,068,584
Less: Dividends proposed to non-cumulative priority shares	-	(6,030,121)
Net (losses)/ earnings for the purpose of basic (losses)/earnings per shares	(183,091,595)	197,038,463
Number of Shares:		
Weighted average number of ordinary shares	56,150,533	53,474,728
Weighted average number of priority shares	4,698,601	4,734,779
Weighted average number of priority and ordinary shares	60,849,134	58,209,507
Effect of dilutive potential ordinary shares, preferred shares	-	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	60,849,134	58,209,507
Basic (losses)/earnings per common share	LBP(3,009)	LBP 3,385
Basic earnings per priority common share	LBP -	LBP 4,659
Diluted (losses)/earnings per share	LBP(3,009)	LBP 3,385

The conversion effect of Series "G" preferred shares and Series 2014 priority shares was excluded from the calculation of diluted earnings per share for 2019 and 2018 since they have anti-dilutive effect.

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

Forward exchange contracts outstanding as of December 31, 2019 and 2018 represent positions held for customers' accounts and at their risk. The Group entered into such instruments to serve the needs of customers, and these contracts are fully hedged by the Group.

As of December 31, 2019 and 2018, the Group had an interest rate swap outstanding to hedge cash flows detailed as follows:

	December 31,			
	2019		2018	
	Original Currency AUD	C/V LBP'000	Original Currency AUD	C/V LBP'000
Principal amount	113,000,000	119,175,450	98,000,000	104,064,240
Fair value (Note 23)	3,774,890	3,981,187	1,085,800	1,152,989

46. FIDUCIARY ACCOUNTS

Fiduciary accounts are invested as follows:

	December 31,	
	2019	2018
	LBP'000	LBP'000
Back-to-back lending	47,240,286	60,966,658
Equity securities (long position)	63,102,045	80,255,420
Derivatives	(2,307,879)	(1,979,580)
Debt leverage	24,467,090	26,180,038
	132,501,542	165,422,536

47. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

In the ordinary course of its activities, the Group conducts transactions with related parties including shareholders, directors, subsidiaries and associates. Balances with related parties consist of the following:

	December 31,	
	2019	2018
	LBP'000	LBP'000
Shareholders, directors and other key management personnel and close family members and their related companies:		
Direct facilities and credit balances:		
Secured loans and advances	20,523,022	85,649,848
Unsecured loans and advances	43,048,307	42,361,767
Accrued interest receivable	82,325	110,067
Deposits	(395,556,694)	(456,092,151)
Accrued interest payable	(6,685,851)	(1,255,121)
Indirect facilities:		
Letters of guarantee	34,661,950	4,499,890
Associates		
Direct facilities and credit balances:		
Current accounts – associate bank (Note 6)	-	7,426,776
Deposits from associate (Note 19)	(279,641)	(621,830)
Margins on letters of credit (Note 23)	-	(264)

Secured loans and advances are covered as of December 31, 2019 by real estate mortgages to the extent of LBP2.3billion (LBP6.9billion as of December 31, 2018), and pledged deposits of the respective borrowers to the extent of LBP14.9billion (LBP79.9billion as of December 31, 2018).

The remuneration of executive management amounted to LBP1.39billion during 2019 (LBP1.39billion during 2018) in addition to incentives linked to performance representing 6% of profit before tax.

General and administrative expenses for the year ended December 31, 2019 include rent expenses to related parties for USD175,000 (USD165,750 for the year ended December 31, 2018) and management expenses to related parties for USD900,000 (USD900,000 for the year ended December 31, 2018).

48. NOTE TO THE STATEMENT OF CASH FLOWS

A. Cash and cash equivalents

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

	December 31,	
	2019	2018
	LBP'000	LBP'000
Cash (Note 5)	37,342,011	63,610,268
Current accounts with central banks	527,787,481	645,916,574
Time deposits with central banks	474,862,500	399,487,500
Checks for collection	41,526,034	60,256,537
Current accounts with banks and financial institutions	263,000,544	435,963,573
Overnight placements	98,200,249	342,697,420
Term placements with banks and financial institutions	280,241,595	583,621,034
Current accounts from banks and financial institutions	(537,304,102)	(506,081,382)
Short term deposits from banks and financial institutions	(504,061,652)	(933,276,874)
Short term borrowings from Central Bank of Lebanon	(625,612,500)	-
	55,982,160	1,092,194,650

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

B. Non-cash transactions

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

	December 31, 2019 LBP'000	December 31, 2018 LBP'000
Operating Activities:		
Other Liabilities	9,294,423	238,777,401
Provisions	-	701,582
Loans to banks	-	(1,492,072)
Customers' liability under acceptance	-	(723,820)
Cash and deposits at central banks	-	(32,982,792)
Deposits with banks and financial institutions	-	(491,304)
Loans and advances to customers	212,046,479	(151,167,331)
Loans and advances related parties	-	(2,844,236)
Other assets	(1,860,298)	(11,390,237)
Retained earnings	2,209,956	14,077,958
Investment in an associate	-	(19,528,780)
Financial assets at fair value through profit or loss	(1,191,348,765)	-
Deposits from banks and financial institutions	43,788,908	-
Treasury shares	(66,601,798)	-
Non-controlling interests	918,906,591	-
Cumulative change in fair value of fixed positions designated as hedging instruments	(110,706)	12,855,298
Investment securities	-	(46,351,497)
	(73,675,210)	(559,830)
Investing Activities:		
Assets acquired in satisfaction of loans	73,980,965	2,264,891
Property and equipment	(305,755)	(1,705,061)
	73,675,210	559,830

49. CONTINGENCIES

As of the date of the consolidated statement of financial position, there are lawsuits and litigations, whereby the Group is either plaintiff or defendant, pending before the competent courts and the outcome of which cannot be determined at present. One of these litigations might be sensitive with risk relatively low and not based on valid grounds according to the Group's legal advisor.

The Bank, amongst 10 other banks in Lebanon, is defendant in a civil action brought on January 1, 2019 under the Anti-Terrorism Act ("ATA") at United States District Court, Eastern District of New York, by a group of plaintiffs claiming to have suffered losses by reason of acts of international terrorism occurring between 2004 and 2011. The Bank's management states that the Bank has not been involved in any wrong doing and has appointed lawyers to defend its case. Management is of the opinion that the risk derived from the outcome of this lawsuit is relatively low and will not result in an adverse impact on the Bank's financial statements.

50. COLLATERAL GIVEN

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

	December 31, 2019				
		Corresponding Facilities			
	Pledged Amount LBP'000	Nature of Facility	Amount of Facility LBP'000	Nature of Facility	Amount of Facility LBP'000
Pledged deposits with banks	381,647	Performance bonds	4,220,456	-	-
Pledged deposits with banks	57,664,029	Foreign currency (Bought)	238,954,175	Foreign currency (Sold)	239,704,903
Pledged deposits with banks	4,713,055				
Lebanese government bonds	1,812,015,000				
Cash margin	647,938,575				
	2,459,953,575	Repurchase agreements	678,846,094	-	-

	December 31, 2018				
		Corresponding Facilities			
	Pledged Amount LBP'000	Nature of Facility	Amount of Facility LBP'000	Nature of Facility	Amount of Facility LBP'000
Pledged deposits with banks	381,647	Performance bonds	4,231,757	-	-
Pledged deposits with banks	108,638,328	Foreign currency (Bought)	375,067,964	Foreign currency (Sold)	360,661,062
Pledged deposits with banks	23,790,234	Short term deposits	21,105,000	-	-
Lebanese government bonds and bonds issued by financial private sector	800,254,868				
Cash margin	43,203,066				
	843,457,934	Repurchase agreements	301,500,000	-	-

As at December 31, 2019, the Group had deposits in guarantee in the amount of LBP1.53billion (LBP1.53billion as at December 31, 2018) blocked in favor of the Ministry of Economy and Trade in guarantee of the Group's insurance activities in Lebanon.

51. CAPITAL MANAGEMENT

The Group manages its capital to comply with the capital adequacy requirements set by the Central Bank of Lebanon, the Group's lead regulator, and retain an economic capital enough to meet the Group's medium term expansion plan.

Furthermore, the Central Bank of Lebanon requires each bank or banking group to hold a minimum level of regulatory capital of LBP10billion for the head office and LBP500million for each local branch and LBP1.5billion for each branch abroad in addition to the minimum regulatory capital required by the host country.

On February 3, 2020 BDL issued intermediate circulars no. 542 and 543 addressed to banks. In details, circular 543 requires banks to abide by the below solvency ratios:

Ratio	December 31, 2018	December 31, 2019
	%	%
Common Equity Tier 1 ratio	10.00	7.00
Tier 1 ratio	13.00	8.50
Total Capital ratio	15.00	10.50

In addition, the circular tied dividend distributions by banks to the satisfaction of certain thresholds, namely a 7% common equity tier 1 ratio, a 10% tier 1 ratio and a 12% total capital ratio. The circular also stipulates that banks must constitute a Capital Conservation Buffer of 2.5% of Risk Weighted Assets and that banks that fail in achieving said buffer must propose an action plan to the Banking Control Commission to build this threshold within a period of three years. Circular 543 also recommended adjusting the risk weight on Foreign Currency placements with BDL (including Certificates of Deposit) having a maturity of more than one year from 50% to 150%. The Central Bank specified in annex 6 of the circular the regulatory expected credit losses (ECLs) that will be applicable by banks in the calculation of the above Capital Adequacy Ratios. More specifically, an ECL of 1.89% will be applied on placements with the Central Bank in USD, 9.45% on USD placements with the government and on corporate loans for resident institutions among others, noting that an ECL of 0% will be applied on LBP placements with the government and with the Central Bank.

On its part, circular no. 542 stipulates that the expected accounting credit loss rates on placements with BDL (including Certificates of Deposit) and on sovereign placements must not exceed the regulatory credit loss rates mentioned above.

On August 26, 2020 the Central Bank of Lebanon issued intermediate circulars no. 567 in which, among other things, it amends the regulatory ECL on foreign placements with the government to 45% and allows the constitution of the regulatory ECL progressively over a period of five years, noting that the BDL central council may accept to extend the term to 10 years for banks that manage to complete the 20% cash contribution to capital requirement mentioned below.

The Group's capital is split as follows:

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

Tier II capital: Comprises qualifying subordinated liabilities, 50% of cumulative favorable change in fair value of securities at fair value through other comprehensive income and revaluation surplus of owned properties.

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

	December 31,	
	2019	**2018**
	LBP'000	**LBP'000**
Common equity (net)	1,335,810,568	1,602,929,251
Additional Tier I capital (net)	844,124,625	844,124,625
	2,179,935,193	2,447,053,876
Net Tier II capital	355,007,568	104,325,076
Total regulatory capital (including remaining net profit after distribution of dividends)	2,534,942,761	2,551,378,952
Credit risk	20,245,223,514	13,878,265,052
Market risk	134,272,826	69,854,594
Operational risk	1,222,048,750	1,143,598,125
Risk weighted assets and risk weighted off-balance sheet items	21,601,545,090	15,091,717,771
Common equity Tier I ratio	6.33%	10.62%
Tier I ratio	10.33%	16.21%
Risk based capital ratio – Tier I and Tier II capital	12.01%	16.91%

The Group's capital strategy is based on the following constraints:

- Comply with regulatory ratios, on individual and consolidated basis, primarily in respect of the Capital Adequacy Ratio under Basle III.
- Ensure a high return on equity for the common shareholders.
- Dividends payout policy is consistent to provide shareholders with acceptable dividend yield.

The Group's strategy is to maintain a satisfactory economic capital beyond the regulatory threshold.

On November 4, 2019 BDL issued Intermediary Circular 532 requiring Lebanese banks not to distribute dividends from the profits of the financial year 2019, and to increase the regulatory capital by 20% of the common equity tier 1 capital as at December 31, 2018 through cash contributions in US Dollar, in two phases: 10% by December 31, 2019 and another 10% by June 30, 2020. On August 26, 2020 BDL issued Intermediary Circular 567 extending the period of the regulatory capital increase by 20% until December 31, 2020.

52. DECONSOLIDATION OF MANAGED FUNDS

During 2019, the Assets and Liabilities Committee of the Bank decided that the Bank representatives, as a policy, shall not vote during the general meeting of the funds. Consequently, the Bank lost its voting power over the funds. Hence, conditions for exercising control as set in IFRS 10 are no longer met, and accordingly the Bank has deconsolidated the Managed Funds' accounts effective January 1, 2019.

The Group has determined the fair value of its investment retained in one of the deconsolidated funds at LBP4.5billion that was classified as an investment at fair value through profit or loss as of January 1, 2019.

Below is an analysis of the assets and liabilities over which control was lost:

	January 1, 2019 LBP'000
ASSETS	
Financial assets at fair value through profit or loss	1,264,307,195
Other assets	18,740
	1,264,325,935
LIABILITIES	
Deposits from banks and financial institutions	329,816,352
Other liabilities	9,309,264
	339,125,616
Net assets deconsolidated	925,200,319

53 SEGMENT INFORMATION

The Group classifies its operating segments by geographical location and by activity.

Measurement of segment assets, liabilities, income and expenses is based on the Group's accounting policies.
Segment income and expenses include transfers between segments and these transfers are conducted on arm's length terms and conditions. Shared costs are included in segments on the basis of the actual recharges made, if any.

The Group has three reportable business segments which reflect the basis on which senior management reviews operating activities, allocates capital and assesses performance.

The Group's operating segment information by geographical location is as follows:

	December 31, 2019				
	Lebanon & Middle East	**Europe**	**Australia**	**Inter-segment**	**Total**
	LBP'000	**LBP'000**	**LBP'000**	**LBP'000**	**LBP'000**
Total Assets	21,803,273,796	1,156,068,179	2,944,220,440	(1,331,238,641)	24,572,323,774
Total Liabilities	19,303,870,065	952,885,692	2,620,967,712	(681,108,134)	22,196,615,335
Total Equity	2,499,403,731	203,182,487	323,252,728	(650,130,507)	2,375,708,439
Loss for the year	(180,734,738)	3,459,722	4,133,310	(9,949,889)	(183,091,595)
ASSETS					
Financial assets at fair value through profit or loss	41,114,893	96,358,057	-	-	137,472,950
Loans and advances to customers	5,074,282,215	192,860,350	2,164,062,971	-	7,431,205,536
Loans and advances to related parties	52,176,734	68,410	11,445,663	(1,651,168)	62,039,639
Investment securities	5,243,122,596	6,475,178	442,641,039	-	5,692,238,813
LIABILITIES					
Customers' deposits at amortized cost	15,185,934,002	395,457,268	2,540,405,036	-	18,121,796,306
Related parties' deposits at amortized cost	501,321,677	28,852,279	36,100,779	(164,032,190)	402,242,545

	December 31, 2018				
	Lebanon & Middle East	**Europe**	**Australia**	**Inter-segment**	**Total**
	LBP'000	**LBP'000**	**LBP'000**	**LBP'000**	**LBP'000**
Total Assets	25,659,618,920	1,270,202,482	2,449,037,370	(1,788,095,973)	27,590,762,799
Total Liabilities	21,920,074,998	1,076,707,894	2,146,738,590	(1,094,563,586)	24,048,957,896
Total Equity	3,739,543,922	193,494,588	302,298,780	(693,532,387)	3,541,804,903
Profit for the year	308,716,736	11,580,641	12,605,268	(73,006,399)	259,896,246
ASSETS					
Financial assets at fair value through profit or loss	1,311,347,937	77,533,343	-	(72,958,430)	1,315,922,850
Loans and advances to customers	6,493,097,549	210,099,471	1,852,306,363	-	8,555,503,383
Loans and advances to related parties	397,318,877	62,168	14,393,766	(286,497,365)	125,277,446
Investment securities	7,262,639,668	3,022,236	412,054,407	-	7,677,716,311
LIABILITIES					
Customers' deposits at amortized cost	17,447,784,957	254,092,885	2,059,420,987	-	19,761,298,829
Related parties' deposits at amortized cost	554,912,759	21,178,269	18,254,387	(136,998,143)	457,347,272

	December 31, 2019				
	Lebanon & Middle East LBP'000	Europe LBP'000	Australia LBP'000	Inter-segment LBP'000	Total LBP'000
Interest income	2,050,749,298	32,695,824	90,034,346	(27,131,312)	2,146,348,156
Less: tax on interest	(86,562,972)	-	-	737,010	(85,825,962)
Interest income, net of tax	1,964,186,326	32,695,824	90,034,346	(26,394,302)	2,060,522,194
Interest expense	(1,227,574,475)	(18,419,543)	(48,371,301)	27,131,312	(1,267,234,007)
Net interest income	736,611,851	14,276,281	41,663,045	737,010	793,288,187
Fee and commission income	160,923,082	18,878,485	5,950,833	(2,661,894)	183,090,506
Fee and commission expense	(30,994,085)	(728,139)	(1,602,220)	2,201,036	(31,123,408)
Net fee and commission income	129,928,997	18,150,346	4,348,613	(460,858)	151,967,098
Net interest and other gains on financial assets at fair value through profit or loss	(1,711,136)	1,718,207	-	-	7,071
Gain from derecognition of financial assets measured at amortized cost	(56,399,089)	-	336,224	-	(56,062,865)
Other operating income (net)	43,415,565	3,128,525	3,332,337	(17,507,500)	32,368,927
Net financial revenues	851,846,188	37,273,359	49,680,219	(17,231,348)	921,568,418
Provision for credit losses (net)	(763,945,817)	(8,551,457)	147,226	6,595,091	(765,754,957)
Other provisions (net)	(8,090,878)	-	-	-	(8,090,878)
Net financial revenues after impairment	79,809,493	28,721,902	49,827,445	(10,636,257)	147,722,583
Staff costs	(126,757,377)	(12,455,834)	(22,829,547)	-	(162,042,758)
General and administrative expenses	(85,558,502)	(8,334,904)	(15,934,154)	(276,151)	(110,103,711)
Depreciation and amortization	(25,965,808)	(2,134,860)	(5,085,716)	-	(33,186,384)
Write-off of goodwill	-	(1,448,086)	-	-	(1,448,086)
Lossg10 before income tax	(158,472,194)	4,348,218	5,978,028	(10,912,408)	(159,058,356)
Income tax expense	(20,859,181)	(888,496)	(1,844,718)	-	(23,592,395)
Loss for the year before withholding tax on profits from subsidiaries	(179,331,375)	3,459,722	4,133,310	(10,912,408)	(182,650,751)
Deferred tax on undistributed profit	(1,403,363)	-	-	-	(1,403,363)
Loss for the year	(180,734,738)	3,459,722	4,133,310	(10,912,408)	(184,054,114)

	December 31, 2018				
	Lebanon & Middle East LBP'000	Europe LBP'000	Australia LBP'000	Inter-segment LBP'000	Total LBP'000
Interest income	1,359,446,403	32,882,027	93,317,831	(31,267,067)	1,454,379,194
Less: tax on interest	(52,195,105)	-	-	877,867	(51,317,238)
Interest income, net of tax	1,307,251,298	32,882,027	93,317,831	(30,389,200)	1,403,061,956
Interest expense	(921,747,749)	(15,501,252)	(46,647,507)	31,280,448	(952,616,060)
Net interest income	385,503,549	17,380,775	46,670,324	891,248	450,445,896
Fee and commission income	157,553,718	19,446,813	6,680,967	(16,387,079)	167,294,419
Fee and commission expense	(28,017,071)	(661,015)	(222,505)	2,243,851	(26,656,740)
Net fee and commission income	129,536,647	18,785,798	6,458,462	(14,143,228)	140,637,679
Net interest and other gains on financial assets at fair value through profit or loss	82,367,129	1,076,558	-	(3,795,516)	79,648,171
Gain from derecognition of financial assets measured at amortized cost	300,131	-	341,252	-	641,383
Other operating income (net)	46,545,817	958,868	2,156,466	(14,907,250)	34,753,901
Net financial revenues	644,253,273	38,201,999	55,626,504	(31,954,746)	706,127,030
Provision for credit losses (net)	797,546	(3,499,745)	4,268,926	-	1,566,727
Other provisions (net)	(7,169,570)	-	-	-	(7,169,570)
Net financial revenues after impairment	637,881,249	34,702,254	59,895,430	(31,954,746)	700,524,187
Staff costs	(149,195,545)	(11,091,202)	(22,515,795)	-	(182,802,542)
General and administrative expenses	(111,220,976)	(7,862,991)	(17,080,068)	13,251,980	(122,912,055)
Depreciation and amortization	(22,201,664)	(1,309,027)	(2,231,128)	-	(25,741,819)
Profit before income tax	355,263,064	14,439,034	18,068,439	(18,702,766)	369,067,771
Income tax expense	(45,645,641)	(2,858,393)	(5,463,171)	-	(53,967,205)
Profit for the year before withholding tax on profits from subsidiaries	309,617,423	11,580,641	12,605,268	(18,702,766)	315,100,566
Deferred tax on undistributed profit	(3,453,187)	-	-	-	(3,453,187)
Profit for the year	306,164,236	11,580,641	12,605,268	(18,702,766)	311,647,379

The Group's operating segment information by activity during 2019 and 2018 was as follows:

	December 31, 2019				
	Banking & Financial Institutions	Insurance and Brokerage	Managed Funds	Intersegment	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Total Assets	25,809,356,437	94,205,978	-	(1,331,238,641)	24,572,323,774
Total Liabilities	22,831,037,262	46,686,207	-	(681,108,134)	22,196,615,335
Total Equity	2,978,319,175	47,519,771	-	(650,130,507)	2,375,708,439
Loss for the year	(172,335,549)	(806,157)	-	(9,949,889)	(183,091,595)
Non-controlling interests	-	(962,519)	-	-	(962,519)

	December 31, 2018				
	Banking & Financial Institutions	Insurance and Brokerage	Managed Funds	Intersegment	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Total Assets	28,022,307,354	92,225,483	1,264,325,935	(1,788,095,973)	27,590,762,799
Total Liabilities	24,768,262,217	36,133,649	339,125,616	(1,094,563,586)	24,048,957,896
Total Equity	3,254,045,137	56,091,834	925,200,319	(693,532,387)	3,541,804,903
Profit for the year	260,812,152	17,425,150	54,665,343	(73,006,399)	259,896,246
Non - controlling interests	-	818,402	50,932,731	-	51,751,133

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The main risks arising from the Group's financial instruments are:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign currency risk; and
- Other operational risks

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established various Committees at Group and each entity's level to develop and monitor the Group's risk management policies in their specified areas.

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

A- Credit Risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations (whether payment of principal or interest), resulting in financial loss to the Group. Credit risk mainly arises from loans and advances to customers and other banks (including related commitments to lend such as loan or credit card facilities), investments in debt securities and derivatives that are an asset position. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

Credit Risk Management

The Group's Credit Committee is responsible for managing the Group's credit risk by:

- Ensuring that the Group has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Group's stated policies and procedures, IFRS and relevant supervisory guidance.
- Identifying, assessing and measuring credit risk across the Group, from an individual instrument to a portfolio level.
- Creating credit policies to protect the Group against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.
- Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating, geographic location etc.
- Establishing a robust control framework regarding the authorization structure for the approval and renewal of credit facilities.
- Developing and maintaining the Group's risk grading to categories exposures according to the degree of risk of default. Risk grades are subject to regular reviews.

Expected Credit Losses

Governance and Oversight Of Expected Credit Losses

The Group's IFRS 9 Impairment Committee, which is a committee composed of Executive Committee members, oversees the ECL measurement framework by:

- Developing and maintaining the Group's processes for measuring ECL including monitoring of credit risk, incorporation of forward looking information and the methods used to measure ECL, while also approving staging classifications for material exposures.
- Ensuring that the Group has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.

- Regularly reviewing Impairment policy requirements to maintain adherence to accounting standards and evolving business models. Key judgments inherent in 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.
- Establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

ECL is estimated using a model that takes into account borrowers' exposure, internal obligor risk rating, facility characteristic, and collateral information, among others. 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 were validated by a qualified independent risk consultant to the model development party, before first use and will be subject to annual review to perform required enhancements going forward in order to enhance the models accuracy and/or account for situations where known or expected risk factors and information have not been considered in the modelling process. Each model 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 using independent and qualified econometric models and expert judgment. Economic scenarios are prepared on a frequent basis, at a minimum annually, to align with the Group's medium-term planning exercise, but also in the event of significant change in the prdevailing economic conditions. The scenario probability weights are also updated when the scenarios are updated.

The internal audit function performs regular audits making sure that the established credit controls and procedures are adequately designed and implemented.

Default Definition and Credit Curing

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

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

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. As a part of a qualitative assessment of whether a customer is in default, the Group carefully considers whether the events listed above should result in classifying the exposures in Stage 3 for ECL calculations or whether Stage 2 is 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 significant increase in credit risk's criteria compared to initial recognition and is examined on a case by case basis.

Internal Ratings and PD Mapping Process

i) Treasury (Including Sovereign) and Interbank Exposures

For non-loan exposures, external credit ratings are used and mapped to the corresponding PDs reported by credit rating agencies. These are continuously monitored and updated, and the lowest credit rating (of all rating agencies) for the counterparty and/or debt issuer is adopted.

ii) Commercial Loans

Group Risk Management function, which is independent from business lines, is responsible for the development and maintenance of internal rating models, and for the estimation of Probability of Default (PD) and Loss Given Default (LGD). The Group uses an internal rating scale comprised of 19 performing grades and 3 non performing grades. The grades generated by internal rating models are mapped to PDs using historical default observations that are specific to each country and loan portfolio. The mapping of rating to PD, which is done initially on a through-the-cycle basis is then adjusted to a point-in-time basis in line with IFRS 9 requirements. These internal rating models for the Group's key lending portfolios including Corporate and SME obligors incorporate both qualitative and quantitative criteria such as:

- Historical and projected financial information including debt service coverage, operations, liquidity and capital structure.
- Account behavior, repayment history and other non-financial information such as management quality, company standing and industry risk.
- Any publicly available information related to the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports and other market disclosures.

- Any other objectively supportable information on the obligor's willingness and capacity of repayment. Internal ratings are initially assigned by the credit origination functions (i.e. business lines) and are approved and validated by the Credit Analysis Division function, which is independent from commercial lending business lines. The Credit Analysis function is responsible for ensuring that ratings assigned to obligors are accurate and updated at all times.

iii) Retail Loans

Retail lending comprises mainly of personal loans, car loans, credit cards and housing loans. The Group utilizes application scorecards to score retail applicants and for either, the automation of decisions according to a certain cut-off score or as a tool to support the approval or reject decision by specialized retail credit officers. To estimate the probability of default for each Retail product, the Group performs a historical behavioral analysis on the repayment history of its retail borrowers (secured and unsecured) and uses a pooling methodology to estimate the probability of default and the resulting expected losses for retail products based on past-due brackets. This estimation is then adjusted by a forward looking component in line with the IFRS9 standard.

Significant Increase In Credit Risk

As explained in note 3, the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition, using reasonable and supportable information that is relevant and available without undue cost or effort. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL. The Group assessment of significant increase in credit risk is being performed at least quarterly based on the following:

i) Commercial Borrowers

Migration of obligor risk rating by a certain number of notches from origination to reporting date (i.e. distance-to-default) as a key indicator of the change in the risk of default at origination 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 the business condition, restructuring due to credit quality weakness during the past 12-months, classification of an exposure under the "Follow-up and Regularization" supervisory-BDL classification.

ii) Retail Borrowers

Thresholds are based on the analysis of past-due data by bracket to determine significant increase in credit risk. In addition, the Group considers specific events that might be indicative of a significant increase in credit risk, such as the event of restructuring of Retail exposures.

To note that irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

(i) External ratings from approved credit rating agencies for financial institutions and financial assets.

(ii) Internal rating models that take into account both financial as well as non-financial information such as management quality, operating environment and company standing. These internal rating models include a "Corporate" model, "SME" model, "Project & Real Estate Financing" model and "High Net worth Individual" model.

(iii) Internally developed scorecards to assess the creditworthiness of retail borrowers in an objective manner and streamline the decision making process.

(iv) Supervisory ratings, comprising six main categories:

1. "*Regular*" includes borrowers demonstrating good to excellent financial condition, risk factors, and capacity to repay. These loans demonstrate regular and timely payment of dues, adequacy of cash flows, timely presentation of financial statements, and sufficient collateral/guarantee when required.

2. "*Follow-up*" represents a lack of documentation related to a borrower's activity, an inconsistency between facilities' type and related conditions.

3. "*Follow-up and Regularization*" includes credit worthy borrowers requiring close monitoring without being impaired. These loans might be showing weaknesses; insufficient or inadequate cash flows; highly leveraged; deterioration in economic sector or country where the facility is used; loan rescheduling more than once since initiation; or excess utilization above limit.

4. "*Substandard loans*" include borrowers with incapacity to repay from identified cash flows. Also included under this category are those with recurrent late payments and financial difficulties.

5. "*Doubtful loans*" where full repayment is questioned even after liquidation of collateral. It also includes loans stagnating for over 6 months and debtors who are unable to repay restructured loans. Finally,

6. "*Bad loans*" with no or little expected inflows from business or assets. This category also includes borrowers with significant delays and deemed insolvent.

The Group uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Group collects performance and default information about its credit risk exposures analyzed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed.

The table below provides a mapping of the Group's internal credit risk grades to external ratings as applied to Commercial Loans:

Commercial Loans' Grading:

Group's Credit Risk Grades	Equivalent Moody's Rating	Credit Quality Description
Performing:		
1	Aaa	Low Risk
2	Aa1 to Aa3	Low Risk
3	A1 to A3	Fair Risk
4	Baa1 to Baa3	Fair Risk
5	Ba1 to Ba3	Monitoring
6	B1 to B3	Monitoring
7	Caa1	High Risk
Non-Performing		
8	Caa2 to Caa3	Substandard
9	Ca	Doubtful
10	C	Impaired

The above Credit Quality descriptions can be summarized as follows:

- Low Risk: there is a very high likelihood of the asset being recovered in full. The counterparty exhibits very high ability and willingness to meet its full obligation on due time.
- Fair Risk: there is a high likelihood that the asset will be recovered in full. The counterparty exhibits high to medium ability and willingness to meet its full obligation on due time.
- Monitoring: there is an acceptable likelihood that the asset will be recovered in full. At the lower end of this scale, there are customers that are being more closely monitored, with some evidence of reduced financial strength.
- High Risk: there is concern over the obligor's ability to make payments when due. However, this has not materialized in an event of default. Under such a classification, the borrower is continuing to make payments on due time, albeit some and/or recurring delays. The counterparty is still expected to settle all outstanding amounts of principal and interest, however with a higher probability of default.

Measurement of ECL

The Group measures ECLs based on a three probability-weighted scenario to measure the expected cash shortfalls, discounted at an approximation to the effective Interest Rate (EIR).

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. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.
- 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 realization of any collateral. It is usually expressed as a percentage of the EAD. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realization of collateral, cross-collateralization and seniority of claim, cost of realization of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims.
- 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. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortization profiles, early repayment or overpayment, changes in utilization of undrawn commitments and credit mitigation actions taken before default. The Group uses EAD models that reflect the characteristics of the portfolios.

These parameters are generally derived from statistical models and other historical data. Forward looking information are 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.

The Group measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contract extension or renewal is common business practice. However, for financial instruments such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. For such financial instruments, the Group measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period. However, the Group does not enforce in the normal day-to-day management, the contractual right to cancel these financial instruments. This is because these financial instruments are managed on a collective basis and are canceled only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated, taking into account the credit risk management actions that the Group expects to take to mitigate ECL, i.e. reduction in limits or cancellation of the loan commitment.

Groupings based on shared risks characteristics

When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as: instrument type; credit risk grade; collateral type; date of initial recognition; remaining term to maturity; industry; geographic location of the borrower; income bracket of the borrower. The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

Write off

The Group writes off a loan / security balance (and any related allowances for impairment losses) when it determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such as the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Incorporation Of Forward-Looking Information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios (i.e. upside & downside scenarios). The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Group has not made changes in the estimation techniques or significant assumptions made during the reporting period.

The ECL estimates have been assessed for sensitivity to changes to forecasts of the macro-variable and also together with changes to the weights assigned to the scenarios. The impact on ECL is not material. The changes were applied in isolation and to each probability weighted scenarios used to develop the estimate of expected credit losses. In reality, there will be interdependencies between the various economic inputs and the exposure to sensitivity will vary across the economic scenarios.

Risk Mitigation Policies

Collateral

The Group mainly employs collateral to mitigate credit risk. The principal collateral types for loans and advances are:

- Pledged deposits
- Mortgages over real estate properties (land, commercial and residential properties)
- Bank guarantees
- Financial instruments (equities and debt securities)
- Business other assets (such as inventories and accounts receivable)

Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities.

Other specific risk mitigation policies include:

Netting Arrangements

The Group sometimes further restricts its exposure to credit losses by entering into netting arrangements with counterparties. Netting arrangements reduce credit risk associated with favorable contracts to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis.

The Group makes use of master netting agreements and other arrangements not eligible for netting under *IAS 32 Financial Instruments: Presentation* with its counterparties. Such arrangements provide for single net settlement of all financial instruments covered by the agreements in the event of default on any one contract. Although, these master netting arrangements do not normally result in an offset of balance sheet assets and liabilities (as the conditions for offsetting under IAS 32 may not apply), they, nevertheless, reduce the Group's exposure to credit risk. Although master netting arrangements may significantly reduce credit risk, it should be noted that the credit risk is eliminated only to the extent of amounts due to the same counterparty.

Credit Quality

During 2019, the severe and unprecedented economic situation in Lebanon exerted significant pressure on the asset quality of the domestic loan portfolio. As a result, credit quality of the Lebanese loan portfolio has declined driven by a weakening in the borrowers' creditworthiness across various segment types. The above deterioration in the credit quality of the loans' portfolio in Lebanon was intensified in the subsequent period as a result of the massive and devastating explosion that occurred on August 4, 2020 and which resulted in the destruction of thousands of residential units and businesses in downtown Beirut as well as the eastern side of the capital leaving thousands of citizens homeless and/or jobless.

The Group monitors credit risk per class of financial instrument. The table below outlines the classes identified, as well as the financial statement line item and the note that provides an analysis of the items included in the financial statement line for each class of financial instrument.

		December 31,	
		2019	2018
	Notes	Gross Maximum Exposure LBP'000	Gross Maximum Exposure LBP'000
Deposits at central banks (excluding cash on hand)	5	9,303,205,562	7,107,345,666
Deposits with banks and financial institutions	6	762,358,214	1,598,968,543
Financial assets at fair value through profit or loss	7	137,472,950	1,315,922,850
Loans to banks	8	254,245,553	256,664,163
Loans and advances to customers	9	7,773,543,780	8,858,981,276
Loans and advances to related parties	10	63,653,654	128,121,682
Financial assets measured at amortized cost	11	6,385,018,848	7,708,506,144
Financial assets measured at fair value through other comprehensive income	11	16,631,674	15,681,430
Customers' liability under acceptances	12	306,333,508	400,305,358
Other financial assets		67,638,618	58,763,413
Total		25,070,102,361	27,449,260,525
Financial instruments with off-balance sheet risk		2,204,080,932	3,245,677,930
Fiduciary accounts	46	132,501,542	165,422,536
Total		2,336,582,474	3,411,100,466
Total credit risk exposure		27,406,684,835	30,860,360,991

An analysis of the Group's credit risk concentrations is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Concentration of loans by industry or sector:

	December 31, 2019						
	Agriculture LBP'000	Manufacturing and Industry LBP'000	Financial Services LBP'000	Real Estate and Construction LBP'000	Trade and Services LBP'000	Others LBP'000	Total LBP'000
BALANCE SHEET EXPOSURE							
Loans to banks	-	-	254,245,553	-	-	-	254,245,553
Loans and advances to customers	31,157,675	648,151,786	584,069,273	1,783,806,282	1,769,513,619	2,956,845,145	7,773,543,780
Loans and advances to related parties	-	6,182,743	5,993,761	2,475,937	35,948,253	13,052,960	63,653,654
	31,157,675	654,334,529	844,308,587	1,786,282,219	1,805,461,872	2,969,898,105	8,091,442,987

	December 31, 2018						
	Agriculture LBP'000	Manufacturing and Industry LBP'000	Financial Services LBP'000	Real Estate and Construction LBP'000	Trade and Services LBP'000	Others LBP'000	Total LBP'000
BALANCE SHEET EXPOSURE							
Loans to banks	-	-	256,664,163	-	-	-	256,664,163
Loans and advances to customers	29,432,709	746,343,264	518,330,322	2,562,246,989	2,359,112,715	2,643,515,277	8,858,981,276
Loans and advances to related parties	-	6,892,438	5,178,025	4,534,683	93,928,981	17,587,555	128,121,682
	29,432,709	753,235,702	780,172,510	2,566,781,672	2,453,041,696	2,661,102,832	9,243,767,121

Concentration of financial assets and liabilities by geographical location:

	December 31, 2019						
	Lebanon LBP'000	Middle East and Africa LBP'000	Europe LBP'000	North America LBP'000	Australia LBP'000	Others LBP'000	Total LBP'000
FINANCIAL ASSETS							
Cash and deposits at central banks	8,507,937,086	611,491,597	66,243,893	-	154,874,997	-	9,340,547,573
Deposits with banks and financial institutions	17,094,430	24,074,630	488,402,641	189,813,275	40,797,176	2,176,062	762,358,214
Financial assets at fair value through profit or loss	36,057,230	535,163	37,944,511	62,936,046	-	-	137,472,950
Loans to banks	31,295,135	222,922,053	28,365	-	-	-	254,245,553
Loans and advances to customers	4,992,308,748	474,502,793	143,029,557	2,111,747	2,160,934,946	655,989	7,773,543,780
Loans and advances to related parties	52,207,991	-	-	-	11,445,663	-	63,653,654
Investment securities	5,864,909,605	90,704,238	3,333,873	-	442,702,806	-	6,401,650,522
Customers' liability under acceptances	272,619,133	26,580,864	7,133,511	-	-	-	306,333,508
Other financial assets	55,533,805	463,913	13,149	-	11,627,751	-	67,638,618
	19,829,963,163	1,451,275,251	746,129,500	254,861,068	2,822,383,339	2,832,051	25,107,444,372
FINANCIAL LIABILITIES							
Deposits from banks and financial institutions	706,577,479	1,095,623,838	11,329,270	-	908,631	152,853	1,814,592,071
Customers' and related parties' deposits	13,640,380,865	1,464,542,345	764,283,979	98,014,914	2,524,504,952	32,311,796	18,524,038,851
Liabilities under acceptance	60,838,037	104,086,196	126,676,499	2,146,215	-	12,586,561	306,333,508
Other borrowings	1,145,151,917	-	2,386,556	-	-	-	1,147,538,473
Certificates of deposit	-	-	637,037	-	-	-	637,037
Lease liability	30,563,231	-	1,862,109	-	12,523,525	-	44,948,865
Other financial liabilities	99,360,875	55,867,622	972,889	-	19,915,829	-	176,117,215
	15,682,872,404	2,720,120,001	908,148,339	100,161,129	2,557,852,937	45,051,210	22,014,206,020
Net position	4,147,090,759	(1,268,844,750)	(162,018,839)	154,699,939	264,530,402	(42,219,159)	3,093,238,352

	December 31, 2018						
	Lebanon	Middle East and Africa	Europe	North America	Australia	Others	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
FINANCIAL ASSETS							
Cash and deposits at central banks	6,073,779,202	769,417,321	266,575,984	-	61,183,427	-	7,170,955,934
Deposits with banks and financial institutions	35,785,167	101,058,337	633,686,265	681,937,705	52,791,171	93,709,898	1,598,968,543
Financial assets at fair value through profit or loss	1,233,331,844	535,163	19,522,437	62,533,406	-	-	1,315,922,850
Loans to banks	42,424,170	210,846,795	1,541,222	-	-	1,851,976	256,664,163
Loans and advances to customers	5,897,174,419	864,282,652	212,655,343	36,475,685	1,847,913,320	479,857	8,858,981,276
Loans and advances to related parties	113,727,799	-	87	30	14,393,766	-	128,121,682
Investment securities	7,197,420,496	90,673,395	19,807	-	436,073,876	-	7,724,187,574
Customers' liability under acceptances	305,859,302	95,391,236	(3,205,214)	2,260,034	-	-	400,305,358
Other financial assets	51,133,550	808,513	16,467	-	6,804,883	-	58,763,413
	20,950,635,949	2,133,013,412	1,130,812,398	783,206,860	2,419,160,443	96,041,731	27,512,870,793
FINANCIALL IABILITIES							
Deposits from banks and financial institutions	1,142,323,236	1,009,568,084	258,629,657	-	22,016,174	113,997	2,432,651,148
Customers' and related parties' deposits	14,563,180,632	2,121,983,155	1,310,191,511	157,962,962	2,034,518,174	30,809,667	20,218,646,101
Liabilities under acceptance	7,616,695	147,892,526	223,423,221	391,234	-	20,981,682	400,305,358
Other borrowings	628,229,797	-	(60,279,955)	-	-	-	567,949,842
Certificates of deposit	-	-	607,045	-	-	-	607,045
Other financial liabilities	113,225,627	1,190,690	109,784,167	-	10,964,333	-	235,164,817
	16,454,575,987	3,280,634,455	1,842,355,646	158,354,196	2,067,498,681	51,905,346	23,855,324,311
Net position	4,496,059,962	(1,147,621,043)	(711,543,248)	624,852,664	351,661,762	44,136,385	3,657,546,482

An analysis of the Group's credit risk exposure per class of financial asset, and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Credit risk exposure per class of financial assets and stage

	December 31, 2019								
	Gross Exposure				Impairment Allowance				
	Stage 1 LBP'000	Stage 2 LBP'000	Stage 3 LBP'000	Total LBP'000	Stage 1 LBP'000	Stage 2 LBP'000	Stage 3 LBP'000	Total LBP'000	Net Exposure LBP'000
Cash and deposit with central banks	9,340,547,573	-	-	9,340,547,573	(96,115,090)	-	-	(96,115,090)	9,244,432,483
Deposits with banks and financial institutions	751,642,480	10,715,734	-	762,358,214	(353,512)	(59,703)	-	(413,215)	761,944,999
Loans to banks	222,542,348	31,703,205	-	254,245,553	(1,009,408)	(981,302)	-	(1,990,710)	252,254,843
Loans and advances to customers	5,247,534,971	1,972,493,152	553,515,657	7,773,543,780	(22,231,730)	(102,832,354)	(217,274,160)	(342,338,244)	7,431,205,536
Loans and advances to related parties	52,943,028	10,710,626	-	63,653,654	(1,614,015)	-	-	(1,614,015)	62,039,639
Investment securities at amortized cost	6,374,469,568	10,549,280	-	6,385,018,848	(705,398,937)	(4,012,772)	-	(709,411,709)	5,675,607,139
Customer liabilities under acceptances	244,566,742	61,766,766	-	306,333,508	(235,604)	(2,360,672)	-	(2,596,276)	303,737,232
Other assets	66,624,152	-	1,014,466	67,638,618	(85,395)	(18,844)	(1,014,466)	(1,118,705)	66,519,913
Off-balance sheet commitments	1,031,307,744	380,823,570	32,110,165	1,444,241,479	(3,273,649)	(1,223,941)	(10,473)	(4,508,063)	1,439,733,416
	23,332,178,606	2,478,762,333	586,640,288	26,397,581,227	(830,317,340)	(111,489,588)	(218,299,099)	(1,160,106,027)	25,237,475,200

	December 31, 2018								
	Gross Exposure				Impairment Allowance				
	Stage 1 LBP'000	Stage 2 LBP'000	Stage 3 LBP'000	Total LBP'000	Stage 1 LBP'000	Stage 2 LBP'000	Stage 3 LBP'000	Total LBP'000	Net Exposure LBP'000
Cash and deposits at central banks	7,170,955,934	-	-	7,170,955,934	(32,976,484)	-	-	(32,976,484)	7,137,979,450
Deposits with banks and financial institutions	1,598,172,498	796,045	-	1,598,968,543	(200,933)	(2,062)	-	(202,995)	1,598,765,548
Loans to banks	255,667,859	996,304	-	256,664,163	(1,345,996)	(1,943)	-	(1,347,939)	255,316,224
Loans and advances to customers	6,749,321,374	1,719,820,199	389,839,703	8,858,981,276	(9,957,923)	(144,453,330)	(149,066,640)	(303,477,893)	8,555,503,383
Loans and advances to related parties	52,398,546	75,723,136	-	128,121,682	(2,384,499)	(459,737)	-	(2,844,236)	125,277,446
Investment securities at amortized cost	7,708,506,144	-	-	7,708,506,144	(46,471,263)	-	-	(46,471,263)	7,662,034,881
Customers' liability under acceptances	330,996,552	69,308,806	-	400,305,358	(557,726)	(143,487)	-	(701,213)	399,604,145
Other assets	57,748,947	-	1,014,466	58,763,413	(90,900)	-	(1,014,466)	(1,105,366)	57,658,047
Off-balance sheet commitments	2,364,070,064	244,755,514	1,844,042	2,610,669,620	(4,634,270)	(221,178)	(79,111)	(4,934,559)	2,605,735,061
	26,287,837,918	2,111,400,004	392,698,211	28,791,936,133	(98,619,994)	(145,281,737)	(150,160,217)	(394,061,948)	28,397,874,185

	Stage 1 12-Month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Balance at January 1, 2018	109,256,352	158,025,340	131,537,309	398,819,001
Net change in the loss allowance	(9,958,968)	(12,575,948)	20,199,481	(2,335,435)
Write-offs	-	-	(717,526)	(717,526)
Effect of exchange rate changes and other movements	(677,390)	(167,655)	(859,047)	(1,704,092)
Balance at December 31, 2018	98,619,994	145,281,737	150,160,217	394,061,948

The movement of the allowance for expected credit losses for loans and advances to customers during 2019 and 2018 is summarized as follows:

	Stage 1 12-Month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Balance at January 1, 2019	9,957,923	144,453,330	149,066,640	303,477,893
Net change in the loss allowance	12,248,252	(41,618,679)	68,081,229	38,710,802
Effect of exchange rate changes and other movements	25,555	(2,297)	126,291	149,549
Balance at December 31, 2019	22,231,730	102,832,354	217,274,160	342,338,244

	Stage 1 12-Month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Balance at January 1, 2018	18,321,191	156,803,417	130,434,862	305,559,470
Net change in the loss allowance	(8,082,549)	(12,301,447)	19,725,678	(658,318)
Write offs	-	-	(717,526)	(717,526)
Effect of exchange rate changes and other movements	(280,719)	(48,640)	(376,374)	(705,733)
Balance at December 31, 2018	9,957,923	144,453,330	149,066,640	303,477,893

Net change in the loss allowance includes re-measurements as a result of changes in the size of portfolios, reclassifications between stages and reallocations of provisions.

	Stage 1 12-Month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Balance at January 1, 2018	109,256,352	158,025,340	131,537,309	398,819,001
Net change in the loss allowance	(9,958,968)	(12,575,948)	20,199,481	(2,335,435)
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Balance at December 31, 2018	9,957,923	144,453,330	149,066,640	303,477,893

Net change in the loss allowance includes re-measurements as a result of changes in the size of portfolios, reclassifications between stages and reallocations of provisions.

Collateral held as security and other credit enhancements

The Group holds the following collaterals received against loans and advances to customers:

	December 31, 2019									
				Fair Value of Collateral Received						
	Gross Exposure LBP'000	Expected Credit Loss LBP'000	Net Exposure LBP'000	Pledged Funds LBP'000	First Degree Mortgage on Property LBP'000	Debt Securities LBP'000	Bank Guarantees LBP'000	Vehicles LBP'000	Other LBP'000	Total LBP'000
Performing loans	7,220,028,123	(125,064,084)	7,094,964,039	997,350,465	8,620,668,525	14,404,728	73,739,675	140,436,544	2,939,699,098	12,786,299,035
Non-performing loans	553,515,657	(217,274,160)	336,241,497	34,905,283	304,175,040	8,616,875	-	8,365,954	46,862,528	402,925,680
	7,773,543,780	(342,338,244)	7,431,205,536	1,032,255,748	8,924,843,565	23,021,603	73,739,675	148,802,498	2,986,561,626	13,189,224,715

	December 31, 2018									
				Fair Value of Collateral Received						
	Gross Exposure LBP'000	Expected Credit Loss LBP'000	Net Exposure LBP'000	Pledged Funds LBP'000	First Degree Mortgage on Property LBP'000	Debt Securities LBP'000	Bank Guarantees LBP'000	Vehicles LBP'000	Other LBP'000	Total LBP'000
Performing loans	8,469,141,572	(154,410,334)	8,314,731,238	1,775,042,197	7,832,262,843	31,287,830	110,616,323	229,800,083	3,211,624,215	13,190,633,491
Non-performing loans	389,839,704	(149,067,559)	240,772,145	17,377,237	273,635,238	8,616,875	-	7,721,719	40,013,120	347,364,189
	8,858,981,276	(303,477,893)	8,555,503,383	1,792,419,434	8,105,898,081	39,904,705	110,616,323	237,521,802	3,251,637,335	13,537,997,680

B – Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately.

Management of liquidity risk

Liquidity is the "Group's ability to ensure the availability of funds to meet commitments (including off-balance sheet commitments) at a reasonable price at all times." In 'business as usual' circumstances the day-to-day cash management of a bank should not lead to any threats to its solvency.

Liquidity risk is defined as the risk of the Group's ability to meet its current and future payment obligations in full or on time.

Liquidity risk arises when, in the case of a liquidity crisis, refinancing may only be raised at higher market rates (funding risk) or assets may only be liquidated at a discount to the market rates (market liquidity risk). It also results from the mismatches in the maturity pattern of assets and liabilities.

a) Liquidity Measurement

Liquidity is measured on a "business as usual basis" using:

- Balance Sheet Liquidity Ratios (purchased and stored liquidity ratios): such as immediate liquidity, loans / deposits, liquid assets ratio, interbank ratio, medium-term funding ratio, wholesale borrowing capacity, etc.
- The liquidity relationship between the sub-components of the balance sheet at a particular point in time: Cash Flow Gap Scheduling which is the Gap between cash inflows and outflows determined within a series of time buckets.
- Stress testing: by stress testing "the business as usual" assumptions via standardized scenarios, the potential shortage of liquidity can be measured. This shortage needs to be covered by the Liquidity Buffer, which consists of unencumbered assets that can be reported or used as collateral at a Central Bank to generate cash.

The Bank's objectives are to comply with the Central Bank instructions for liquidity risk monitoring and set other internal prudential limits as described hereafter. Some of the internal limits are:

- Liquidity gap ratios for Lebanese Pounds and foreign currencies (special focus on the foreign currencies): One month GAP/Tier One Capital
- Liquid assets in foreign currencies (including Placement with the Central Bank) / Total Deposits in foreign currencies.
- Placements with Non Resident Banks in foreign currencies/Total Deposits in foreign currencies
- Long-term foreign currency Funds (including equity)/Long-term Loans (above one year)

b) The Contingency Funding Plan

Liquidity problems will usually arise only when the Group encounters a crisis. In this case, there is a need to put in place a Contingency Funding Plan that both quantifies the adequacy of the Bank's resources (Liquidity Buffer) to withstand a set of potential liquidity crises and sets out an Action Plan to be activated in the event of a liquidity crisis.

A mechanism to identify stress situations ahead of time, and to plan dealing with such unusual situations in a timely and effective manner should be in existence. The Contingency Plan is reviewed regularly and tested.

The responsibilities and authorities of overseeing efficient implementation of liquidity risk mitigation is distributed in the best way to achieve proficient handling of the problems facing the Group and thus ensuring a smooth continuation of the activity without jeopardizing the business. Accordingly, officials and committees of the Group (namely ALCO, Treasury Department, Finance Department) assess the situation, decide on the activation of the contingency plan and act as follows:

- ALCO Committee is informed immediately, and quickly makes its assessment as to whether the plan should be activated.
- ALCO Committee takes all major decisions on loans or deposits, investment purchases, borrowing, whether to stop making additional loans, etc.
- ALCO Committee provides general, ongoing guidance on communicating with major depositors and other sources of funding, internal staff, and the press.
- The Treasury Department is responsible for maintaining sufficient liquidity to meet the Bank's obligations and to meet the specific liquidity requirements of the supervisory authorities. The key measure used by the Bank for managing liquidity risk is the ratio of behaviorally adjusted net liquid assets (maturing in less than one month) to total deposits.
- In the unlikely event of a liquidity crisis, the Treasury Department would immediately endeavour to sell the Group's liquid assets, or if more expedient, seek additional funds from the shareholders or borrow in the market to alleviate the shortfall.

Residual contractual maturities of financial assets and liabilities:

The tables below show the Group's financial assets and liabilities in Lebanese Pounds and foreign currencies base accounts segregated by maturity:

	December 31, 2019							
	With No Maturity LBP'000	Up to 3 Months LBP'000	3 Months to 1 Year LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	5 to 10 Years LBP'000	Over 10 Years LBP'000	Total LBP'000
FINANCIAL ASSETS								
Cash and deposits at central banks	904,873,077	1,580,419,831	90,450,000	1,127,031,101	759,032,500	1,741,173,892	3,137,567,172	9,340,547,573
Deposits with banks and financial institutions	-	762,358,214	-	-	-	-	-	762,358,214
Financial assets at fair value through profit or loss	10,254,963	89,461,567	22,492,343	3,409,420	6,218,253	3,778,410	1,857,994	137,472,950
Loans to banks	-	205,680,537	44,299,537	4,254,400	11,079	-	-	254,245,553
Loans and advances to customers	435,695,325	1,587,390,134	2,209,069,439	1,019,789,855	317,467,880	370,426,627	1,833,704,520	7,773,543,780
Loans and advances to related parties	128,253	32,054,552	17,269,973	6,088,926	140,593	251,343	7,720,014	63,653,654
Investment securities	16,631,674	182,419,995	362,677,649	1,113,904,357	1,003,476,219	1,700,958,298	2,021,582,330	6,401,650,522
Customers' liability under acceptances	-	299,794,712	6,538,796	-	-	-	-	306,333,508
Other financial assets	65,613,660	2,024,958	-	-	-	-	-	67,638,618
	1,433,196,952	4,741,604,500	2,752,797,737	3,274,478,059	2,086,346,524	3,816,588,570	7,002,432,030	25,107,444,372
FINANCIAL LIABILITIES								
Deposits from banks and financial institutions	-	913,073,456	259,173,733	113,947,288	528,397,594	-	-	1,814,592,071
Customers' and related parties' deposits	-	14,297,625,913	3,131,587,693	690,507,833	105,258,247	107,704,781	191,354,384	18,524,038,851
Liabilities under acceptance	-	306,333,508	-	-	-	-	-	306,333,508
Other borrowings	-	692,166,274	-	-	-	-	455,372,199	1,147,538,473
Certificates of deposit	-	637,037	-	-	-	-	-	637,037
Lease liability	-	2,132,234	7,269,510	12,725,417	7,623,153	11,445,773	3,752,778	44,948,865
Other financial liabilities	97,793,131	34,233,510	31,605,076	11,035,882	600,616	-	849,000	176,117,215
	97,793,131	16,246,201,932	3,429,636,012	828,216,420	641,879,610	119,150,554	651,328,361	22,014,206,020
Net Maturity Gap	1,335,403,821	(11,504,597,432)	(676,838,275)	2,446,261,639	1,444,466,914	3,697,438,016	6,351,103,669	3,093,238,352

	December 31, 2018							
	With No Maturity	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years	Over 10 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
FINANCIAL ASSETS								
Cash and deposits at central banks	685,072,540	1,858,495,744	354,262,500	661,034,750	718,740,450	1,681,707,950	1,211,642,000	7,170,955,934
Deposits with banks and financial institutions	348,583	1,598,619,960	-	-	-	-	-	1,598,968,543
Financial assets at fair value through profit or loss	13,358,350	73,855,554	57,725,662	89,469,377	284,429,395	555,379,754	241,704,758	1,315,922,850
Loans to banks	10,510,914	217,857,488	19,914,161	8,381,600	-	-	-	256,664,163
Loans and advances to customers	299,473,588	2,530,040,420	2,911,290,360	883,249,553	379,646,784	355,889,111	1,499,391,460	8,858,981,276
Loans and advances to related parties	62,911	84,576,926	26,037,906	7,674,240	325,407	3,141,341	6,302,951	128,121,682
Investment securities	15,714,763	165,241,505	520,835,132	1,330,791,411	1,227,633,507	2,220,674,236	2,243,297,020	7,724,187,574
Customers' liability under acceptances	-	400,305,358	-	-	-	-	-	400,305,358
Other financial assets	58,699,791	-	30,136	33,486	-	-	-	58,763,413
	1,083,241,440	6,928,992,955	3,890,095,857	2,980,634,417	2,610,775,543	4,816,792,392	5,202,338,189	27,512,870,793
FINANCIAL LIABILITIES								
Deposits from banks and financial institutions	-	1,707,545,350	187,311,680	232,789,179	305,004,939	-	-	2,432,651,148
Customers' and related parties' deposits	-	14,963,109,378	3,972,991,503	947,542,246	98,591,503	44,454,526	191,956,945	20,218,646,101
Liabilities under acceptance	-	400,305,358	-	-	-	-	-	400,305,358
Other borrowings	-	75,420,542	492,529,300	-	-	-	-	567,949,842
Certificates of deposit	-	-	607,045	-	-	-	-	607,045
Other financial liabilities	152,822,137	61,767,909	8,743,812	10,753,426	874,078	-	203,455	235,164,817
	152,822,137	17,208,148,537	4,662,183,340	1,191,084,851	404,470,520	44,454,526	192,160,400	23,855,324,311
Net Maturity Gap	930,419,303	(10,279,155,582)	(772,087,483)	1,789,549,566	2,206,305,023	4,772,337,866	5,010,177,789	3,657,546,482

C – Market Risks

The market risk is the risk that the fair value or future cash flows of a financial instrument will be affected because of changes in market prices such as interest rate, equity prices, foreign exchange and credit spreads.

Management of market risks

a) Interest Rate Risk

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

b) Interest Rate Risk Measurement

Major concern is to be given to interest rates movements both in the local and international markets whenever hedging against rates rise should be undertaken as part of the Group's strategy.

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

Interest rate risk originating from banking activities arises partly from the employment of non-interest bearing liabilities such as shareholders' funds and customer current accounts, but also from the gaps that arise from the normal course of business.

The policy of the Group is to price all placements / exposures at floating rates or at fixed rates for fixed periods on appropriate rollover dates that allow for matching in the market.

Interest rate sensitivity analyses for financial assets and financial liabilities as at December 31, 2019:

	Interest Rate Sensitivity Balance Sheet													
		Floating						Fixed						
	Non-Interest Generating LBP'000	Up to 3 Months LBP'000	3 Months to 1 Year LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	Over 5 Years LBP'000	Total LBP'000	Up to 3 Months LBP'000	3 Months to 1Year LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	Over 5 Years LBP'000	Total LBP'000	Grand Total LBP'000
FINANCIAL ASSETS														
Cash and deposits at central banks	1,106,458,228	210,547,235	-	-	-	-	210,547,235	2,044,334,438	37,687,500	788,205,500	276,632,500	4,876,682,172	8,023,542,110	9,340,547,573
Deposits with banks and financial institutions	45,944,134	412,955,424	-	-	-	-	412,955,424	303,458,656	-	-	-	-	303,458,656	762,358,214
Financial assets at fair value through profit or loss	10,254,103	-	-	-	-	-	-	89,462,427	22,492,343	3,409,420	6,218,253	5,636,404	127,218,847	137,472,950
Loans to Banks	1,436,844	131,082	5,254,400	-	-	-	5,385,482	204,123,690	43,299,537	-	-	-	247,423,227	254,245,553
Loans and advances to customers	749,895,136	1,924,706,358	89,791,913	24,440,436	3,676,410	1,837,711,928	3,880,327,045	1,054,681,824	1,158,249,657	402,544,867	225,115,048	302,730,203	3,143,321,599	7,773,543,780
Loans and advances to related parties	150,735	21,481,010	-	1,586,385	-	7,971,357	31,038,752	26,226,399	3,476,121	2,621,055	140,592	-	32,464,167	63,653,654
Investment securities	169,912,940	13,020,255	75,564,533	183,875,113	25,359,598	-	297,819,499	93,286,048	284,275,297	922,330,240	970,202,382	3,663,824,116	5,933,918,083	6,401,650,522
Customers' liability under acceptance	306,333,508	-	-	-	-	-	-	-	-	-	-	-	-	306,333,508
Other financial assets	64,239,664	3,398,954	-	-	-	-	3,398,954	-	-	-	-	-	-	67,638,618
	2,454,625,292	2,586,240,318	170,610,846	209,901,934	29,036,008	1,845,683,285	4,841,472,391	3,815,573,482	1,549,480,455	2,119,111,082	1,478,308,775	8,848,872,895	17,811,346,689	25,107,444,372
FINANCIAL LIABILITIES														
Deposits from banks and financial institutions	104,693,489	4,229,949	-	-	-	-	4,229,949	804,150,018	259,173,733	113,947,288	528,397,594	-	1,705,668,633	1,814,592,071
Customers and related parties' deposits	286,827,957	611,194,529	-	-	-	-	611,194,529	13,601,173,230	3,043,481,362	667,413,583	88,412,568	225,535,622	17,626,016,365	18,524,038,851
Liabilities under acceptance	306,333,508	-	-	-	-	-	-	-	-	-	-	-	-	306,333,508
Other borrowings	11,574,631	-	-	-	-	-	-	680,591,618	-	-	-	455,372,224	1,135,963,842	1,147,538,473
Certificates of deposit	-	-	-	-	-	-	-	-	637,037	-	-	-	637,037	637,037
Lease liability	-	-	-	-	-	-	-	2,132,234	7,269,510	12,725,417	7,623,153	15,198,551	44,948,865	44,948,865
Other financial liabilities	119,121,247	3,281,825	86,648	2,610,269	420,158	849,000	7,247,900	29,611,994	20,136,074	-	-	-	49,748,068	176,117,215
	828,550,832	618,706,303	86,648	2,610,269	420,158	849,000	622,672,378	15,117,659,094	3,330,697,716	794,086,288	624,433,315	696,106,397	20,562,982,810	22,014,206,020
Interest Rate Swap	-	119,175,450	-	-	-	-	119,175,450	(5,273,250)	(10,546,500)	(97,027,800)	-	(6,327,900)	(119,175,450)	-
Interest rate Gap	1,626,074,460	2,086,709,465	170,524,198	207,291,665	28,615,850	1,844,834,285	4,337,975,463	(11,307,358,862)	(1,791,763,761)	1,227,996,994	853,875,460	8,146,438,598	(2,870,811,571)	3,093,238,352

Interest rate sensitivity analyses for financial assets and financial liabilities as at December 31, 2018:

	Interest Rate Sensitivity Balance Sheet													
		Floating						Fixed						
	Non-Interest Generating LBP'000	Up to 3 Months LBP'000	3 Monthsto 1 Year LBP'000	1 to3 Years LBP'000	3 to 5 Years LBP'000	Over 5 Years LBP'000	Total LBP'000	Up to 3 Months LBP'000	3 Months to 1 Year LBP'000	1 to 3 Years LBP'000	3 to 5 Years LBP'000	Over 5 Years LBP'000	Total LBP'000	Grand Total LBP'000
FINANCIAL ASSETS														
Cash and deposits at central banks	591,119,883	322,040,406	-	-	-	-	322,040,406	1,993,359,695	354,262,500	403,608,050	613,215,450	2,893,349,950	6,257,795,645	7,170,955,934
Deposits with banks and financial institutions	108,727,163	377,152,740	-	-	-	-	377,152,740	1,113,088,640	-	-	-	-	1,113,088,640	1,598,968,543
Financial assets at fair value through profit or loss	13,836,608	-	-	-	-	-	-	56,826,125	59,584,135	89,520,877	295,565,515	800,589,590	1,302,086,242	1,315,922,850
Loans to Banks	1,435,877	1,112,722	8,381,600	-	-	-	9,494,322	226,763,653	18,970,311	-	-	-	245,733,964	256,664,163
Loans and advances to customers	437,882,143	2,577,255,073	177,665,932	16,365,913	4,751,340	1,369,888,219	4,145,926,477	1,684,542,338	1,432,891,678	482,107,719	282,186,847	393,444,074	4,275,172,656	8,858,981,276
Loans and advances to related parties	279,884	14,068,164	102,114	-	-	8,470,657	22,640,935	80,773,293	17,659,245	6,343,955	424,370	-	105,200,863	128,121,682
Investment securities	232,402,635	27,093,364	51,729,857	188,250,637	58,812,939	-	325,886,797	42,712,090	466,868,593	1,098,905,625	1,155,591,813	4,401,820,021	7,165,898,142	7,724,187,574
Customers' liability under acceptance	400,305,358	-	-	-	-	-	-	-	-	-	-	-	-	400,305,358
Other financial assets	58,699,791	-	30,136	33,486	-	-	63,622	-	-	-	-	-	-	58,763,413
	1,844,689,342	3,318,722,469	237,909,639	204,650,036	63,564,279	1,378,358,876	5,203,205,299	5,198,065,834	2,350,236,462	2,080,486,226	2,346,983,995	8,489,203,635	20,464,976,152	27,512,870,793
FINANCIAL LIABILITIES														
Deposits from banks and financial institutions	297,685,146	106,743,742	1,932,732	-	-	-	108,676,474	1,366,560,732	141,220,816	216,668,791	301,839,189	-	2,026,289,528	2,432,651,148
Customers and related parties' deposits	182,374,770	541,779,451	-	-	-	-	541,779,451	14,230,779,468	3,981,167,193	947,542,246	98,591,503	236,411,470	19,494,491,880	20,218,646,101
Liabilities under acceptance	400,305,358	-	-	-	-	-	-	-	-	-	-	-	-	400,305,358
Other borrowings	8,690,899	-	-	-	-	-	-	66,719,958	492,538,985	-	-	-	559,258,943	567,949,842
Certificates of deposit	-	-	-	-	-	-	-	-	607,045	-	-	-	607,045	607,045
Other financial liabilities	90,341,802	42,837,910	-	75,457	874,078	203,454	43,990,899	94,876,554	5,955,562	-	-	-	100,832,116	235,164,817
	979,397,975	691,361,103	1,932,732	75,457	874,078	203,454	694,446,824	15,758,936,712	4,621,489,601	1,164,211,037	400,430,692	236,411,470	22,181,479,512	23,855,324,311
Interest Rate Swap	-	104,064,240	-	-	-	-	104,064,240	-	-	(12,742,560)	(84,950,400)	(6,371,280)	(104,064,240)	-
Interest rate Gap	865,291,367	2,731,425,606	235,976,907	204,574,579	62,690,201	1,378,155,422	4,612,822,715	(10,560,870,878)	(2,271,253,139)	903,532,629	1,861,602,903	8,246,420,885	(1,820,567,600)	3,657,546,482

Foreign Exchange Risk

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

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

The Group does not currently deal, and has no plans to deal, in Foreign Exchange Futures, Foreign Exchange Options or Options on Foreign Exchange Futures.

Any foreign exchange forward swap transaction is either immediately covered or incorporated into the respective loan and deposit book (the banking book).

At the outset the Group's overall currency risk exposures is split into:

- Operational FX positions: The management of these risks is done via Trading books under the responsibility of the Global Markets Division.
- Structural FX positions: ALCO Committee decides on the level of the Structural FX positions to be held against the LBP denominated equity and foreign investment, to ensure proper hedging.

Treasury Department is responsible to monitor the compliance to the regulatory rations set by the regulatory authorities. ALCO Committee is notified by the Finance department of any breach.

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 rates, whereas there is high volatility and significant variance in the multiple unofficial exchange rates in the parallel markets that have emerged since the start of the economic crisis and the de-facto capital control on foreign currency withdrawals and transfers overseas, and therefore, management is unable to determine what would be a reasonable possible movement in order to provide useful quantitative sensitivity analysis. The impact of the valuation of these assets and liabilities at a different rate will be recognized in the consolidated financial statements once the official exchange rate is changed by the relevant authorities.

The table shown below gives details of the Group's exposure to currency risk:

	December 31, 2019						
	LBP	USD	EUR	GBP	AUD	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS							
Cash and deposits at central banks	2,816,807,370	5,117,374,532	878,155,053	59,716,330	154,046,899	218,332,299	9,244,432,483
Deposits with banks and financial institutions	14,902,546	524,101,297	52,021,328	76,915,382	70,727,871	23,276,575	761,944,999
financial assets at fair value through profit or loss	22,779,632	81,092,529	-	33,600,789	-	-	137,472,950
Loans to banks	4,614,076	187,494,004	14,193,817	45,952,946	-	-	252,254,843
Loans and advances to customers	1,578,730,618	3,270,461,766	154,203,052	37,605,523	2,005,765,443	384,439,134	7,431,205,536
Loans and advances to related parties	3,550,315	29,665,674	2,665,493	6,071,753	11,445,663	8,640,741	62,039,639
Investment securities	1,990,594,129	3,168,320,822	248,157	-	442,641,039	90,434,666	5,692,238,813
Customers' liability under acceptances	-	278,642,999	12,640,878	-	-	12,453,355	303,737,232
Investments in an associate	223	24,568,655	-	-	-	-	24,568,878
Assets acquired in satisfaction of loans	2,388,743	78,343,023	-	-	-	-	80,731,766
Property and equipment	237,930,918	300,519	-	39,617,961	31,856,529	15,435,504	325,141,431
Goodwill	452,266	-	-	-	86,582,169	-	87,034,435
Right of use assets	150,151	32,154,766	-	1,861,116	11,748,551	-	45,914,584
Other assets	36,853,651	10,496,936	551,952	2,374,074	50,578,634	854,139	101,709,386
	6,709,754,638	12,803,017,522	1,114,679,730	303,715,874	2,865,392,798	753,866,413	24,550,426,975
LIABILITIES							
Deposits from banks and financial institutions	255,438,759	1,023,333,154	389,295,383	57,858,414	4,378,674	84,287,687	1,814,592,071
Customers' and related parties' deposits	4,702,220,315	9,873,882,927	686,706,517	150,110,799	2,566,166,617	544,951,676	18,524,038,851
Liabilities under acceptance	-	281,219,151	12,660,754	-	-	12,453,603	306,333,508
Other borrowings	513,219,679	634,318,794	-	-	-	-	1,147,538,473
Certificates of deposit	-	-	-	637,037	-	-	637,037
Lease liability	-	30,563,231	-	1,862,109	12,523,525	-	44,948,865
Other liabilities	115,963,800	104,371,791	24,024,751	1,314,048	23,787,247	5,334,883	274,796,520
Provisions	56,708,278	9,227,495	647,196	569,546	3,123,381	892,793	71,168,689
	5,643,550,831	11,956,916,543	1,113,334,601	212,351,953	2,609,979,444	647,920,642	22,184,054,014
Currencies to be delivered	-	(298,304,728)	(181,049,488)	(16,040,069)	(145,906,469)	(119,159,303)	(760,460,057)
Currencies to be received	-	448,845,490	161,562,587	86,161,244	58,913,649	24,496,633	779,979,603
Discount (net)	-	(10,289,669)	-	-	-	105,601	(10,184,068)
	-	140,251,093	(19,486,901)	70,121,175	(86,992,820)	(94,557,069)	9,335,478
Net exchange position	1,066,203,807	986,352,072	(18,141,772)	161,485,096	168,420,534	11,388,702	2,375,708,439

	December 31, 2018						
	LBP	USD	EUR	GBP	AUD	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS							
Cash and deposits at central banks	2,264,206,649	3,246,458,184	1,100,771,583	55,790,235	60,042,998	410,709,801	7,137,979,450
Deposits with banks and financial institutions	14,235,944	1,146,218,104	110,700,268	210,464,479	13,276,424	103,870,329	1,598,765,548
Financial assets at fair value through profit or loss	686,701,133	613,991,238	-	15,230,479	-	-	1,315,922,850
Loans to banks	9,078,864	218,106,927	7,114,899	17,331,790	-	3,683,744	255,316,224
Loans and advances to customers	1,704,974,295	4,013,459,665	577,129,375	27,499,279	1,634,372,787	598,067,982	8,555,503,383
Loans and advances to related parties	2,282,831	94,929,799	1,014,600	62,293	14,393,766	12,594,157	125,277,446
Investment securities	2,927,962,886	4,222,901,303	253,723	-	436,052,213	90,546,186	7,677,716,311
Customers' liability under acceptances	79,176	345,251,189	19,025,262	2,491,986	-	32,756,532	399,604,145
Investments in an associate	-	23,009,057	-	-	-	-	23,009,057
Assets acquired in satisfaction of loans	995,683	23,571,035	-	-	-	-	24,566,718
Property and equipment	235,075,761	216,245	56,524	38,127,005	3,977,869	17,719,232	295,172,636
Goodwill	452,265	-	-	1,432,270	86,582,169	-	88,466,704
Other Assets	31,114,181	17,941,753	589,468	3,723,784	19,271,462	1,454,225	74,094,873
	7,877,159,668	13,966,054,499	1,816,655,702	372,153,600	2,267,969,688	1,271,402,188	27,571,395,345
LIABILITIES							
Deposits from banks and financial institutions	186,096,947	1,692,955,973	448,193,174	67,359,849	8,070,538	29,974,667	2,432,651,148
Customers' and related parties' deposits	5,222,289,333	10,892,407,296	910,630,940	233,122,344	2,104,555,449	855,640,739	20,218,646,101
Liabilities under acceptance	79,176	345,952,402	19,025,262	2,491,986	-	32,756,532	400,305,358
Other borrowings	564,930,674	3,019,168	-	-	-	-	567,949,842
Certificates of deposit	-	-	-	607,045	-	-	607,045
Other liabilities	117,364,621	181,967,153	19,428,239	6,449,558	8,018,499	8,093,993	341,322,063
Provisions	46,991,889	12,951,281	622,152	282,520	2,625,183	362,187	63,835,212
	6,137,752,640	13,129,253,273	1,397,899,767	310,313,302	2,123,269,669	926,828,118	24,025,316,769
Currencies to be delivered	-	(1,093,646,222)	(223,044,776)	(92,449,533)	(1,407,983)	(33,322,389)	(1,443,870,903)
Currencies to be received	-	908,953,823	221,823,519	90,982,288	201,663,812	32,389,445	1,455,812,887
Discount (net)	-	(16,738,429)	348,013	(77,084)	-	251,843	(16,215,657)
	-	(201,430,828)	(873,244)	(1,544,329)	200,255,829	(681,101)	(4,273,673)
Net Exchange position	1,739,407,028	635,370,398	417,882,691	60,295,969	344,955,848	343,892,969	3,541,804,903

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

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

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

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

Financial assets and liabilities originated in Lebanon:

Due to the situation described in note 1 and the unprecedented levels of uncertainty surrounding the economic and financial crisis that Lebanon, and particularly the banking sector, is witnessing, management is unable to produce reasonable estimation of the fair value of financial assets and liabilities concentrated in Lebanon as the measurement of their fair value is either (i) dependent on prices quoted in a market that is severely inactive and illiquid; or (ii) determined using cash flow valuation models using observable market inputs, comprising of interest rates and yield curves, implied volatilities, and credit spreads that are not reflective of the economic reality and market conditions. In the absence of reliable data, the Group did not disclose the fair value of financial assets and liabilities originated in Lebanon as required by IFRS 13 *Fair Value Measurements*.

D –Other Operational Risks

Litigation Risk

Litigation risk arises from pending or potential legal proceedings against the Group and in the event that legal issues are not properly dealt with by the Group. Litigation that may arise, whether from lawsuits or from arbitration proceedings, may affect the operations of the Group as well as its results.

Since October 17, 2019, and as a result of the de-facto capital control and other measures adopted by Lebanese banks imposing various restrictions of free flow of customers' funds deposited with the banking sector, the Group has been subject to an increased litigation risk. Management is monitoring and assessing the impact of existing and/or potential litigation and claims against the Group in relation to these restrictive measures taking into consideration prevailing laws, regulations and local banking practices. Although there are uncertainties with respect to outcomes of any litigation in connection with the adoption of the various restrictive measures, management considers that any associated claims are unlikely to have a material adverse impact on the financial position and capital adequacy of the Group.

55. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

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

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

Financial Assets	Date of Valuation	Valuation Technique and key Inputs
At fair value through profit or loss:		
Foreign government treasury bills	December 31, 2019 and 2018	Average market price in inactive market
At amortized cost:		
Bonds issued by financial private sector	December 31, 2019 and 2018	Management estimate based on observable input in inactive market
Foreign government treasury bonds	December 31, 2019 and 2018	Average market price in inactive market
Foreign government treasury bonds	December 31, 2019 and 2018	Average market price in inactive market

There have been no transfers between Levels during the period.

56. EVENTS AFTER THE REPORTING PERIOD

Further to the subsequent events described in Note 1, Lebanon in general, and the Group in particular, was also affected by the Novel Coronavirus (Covid-19) pandemic. The existence of Novel Coronavirus (Covid-19) was confirmed in January 2020 in mainland China and has subsequently spread to many other countries around the world. This event has caused widespread disruptions to the business, with a consequential negative impact on economic activity. The Group considers this event to be a non-adjusting event after the reporting period and therefore has not made any adjustments to the financial statements as a result of this matter. The outcome of this event is unknown and therefore the impact on the Group cannot be reasonably quantified at the date of issuance of these consolidated financial statements. The effect of Covid-19 on the Group will be incorporated into the determination of the Group's estimates in 2020.

57. COMPARATIVE FIGURES

Certain 2018 comparative figures were represented to conform with the current year presentation, in particular the netting of the assets under leverage arrangements with their corresponding leverage arrangements with BDL (Note 5).

58. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended December 31, 2019 were approved by the Board of Directors in its meeting held on September 3, 2020.

Financial assets and liabilities not originated in Lebanon:

The tables below summarize the Group's financial assets and liabilities not originated in Lebanon as of December 31, 2019 and 2018:

	Notes	Carrying Amount LBP'000	Fair Value Level 1 LBP'000	Fair Value Level 2 LBP'000	Fair Value Level 3 LBP'000	Fair Value Total LBP'000
		December 31, 2019				
Financial assets measured at:						
Fair value through profit or loss (excluding accrued interest receivable):						
Foreign government treasury bills	7	96,358,057	-	96,358,057	-	96,358,057
		96,358,057	-	96,358,057	-	96,358,057
Amortized cost:						
Foreign Government bonds	11	99,390,991	-	99,390,991	-	99,390,991
Certificates of deposit issued by private sector	11	52,672,659	-	52,672,659	-	52,672,659
Bonds issued by financial private sector	11	381,260,519	-	387,134,462	-	387,134,462
		533,324,169	-	539,198,112	-	539,198,112

	Notes	Carrying Amount LBP'000	Fair Value Level 1 LBP'000	Fair Value Level 2 LBP'000	Fair Value Level 3 LBP'000	Fair Value Total LBP'000
		December 31, 2018				
Financial assets measured at:						
Fair value through profit or loss (excluding accrued interest receivable):						
Foreign government treasury bills	7	77,533,343	-	77,533,343	-	77,533,343
		77,533,343	-	77,533,343	-	77,533,343
Amortized cost:						
Foreign Government bonds	11	99,323,642	-	99,618,563	-	99,618,563
Certificates of deposit issued by private sector	11	19,092,924	-	19,094,638	-	19,094,638
Bonds issued by financial private sector	11	408,343,908	-	409,580,673	-	409,580,673
		526,760,474	-	528,293,874	-	528,293,874