BANK OF BEIRUT S.A.L.

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED 31 DECEMBER 2024

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INDEPENDENT AUDITORS' REPORT

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

Adverse Opinion

We have audited 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 31 December 2024, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for Adverse Opinion

1. As disclosed in Note 1.3.2 to the accompanying consolidated financial statements, the Group has not applied the requirements of IAS 29 'Financial Reporting in Hyperinflationary Economies' in the preparation of the consolidated financial statements for the year ended 31 December 2024. IAS 29 requires that the financial statements, and corresponding figures for previous periods, of an entity with a functional currency that is hyperinflationary, to be stated in the terms of the measuring unit current at the end of the reporting period. Had the Group applied the requirements of IAS 29 many elements of the accompanying consolidated financial statements, including disclosures, would have been significantly impacted. The effects on the consolidated financial statements of this departure have not been determined. Our opinion in the prior year was also modified in respect of this matter.

2. As disclosed in Note 1.3.1 to the consolidated financial statements, the Group used in 2024 and 2023 the exchange rates published by the Central Bank of Lebanon for the translation of its transactions and monetary assets and liabilities denominated in foreign currencies to the Group's functional currency (i.e. Lebanese Pound). Starting January 2024, the exchange rate published by the Central Bank of Lebanon was set at LBP89,500 to the US Dollar, aligning the rate with the prevailing market rate. The Group used this rate to translate the transactions and monetary items denominated in foreign currency, including foreign currency accounts subject to de-facto capital controls, into the functional currency. Applying this rate to the foreign currency accounts subject to de-facto capital controls, constituted a departure from IAS 21 "The effects of Changes in Foreign Exchange rates", as this exchange rate deviates significantly from the rate by which, the future cash flows from these accounts, could have been settled or collected had these cash flows occurred at the measurement date.

Basis for Adverse Opinion (continued)

Furthermore, the Group initially translated all non-monetary balance sheet items, using the Central Bank of Lebanon's exchange rates of LBP 89,500 and LBP 15,000 as at 31 December 2024 and 2023, respectively. This translation approach led to exchange differences that were reported in profit or loss. The Group remeasured these items in Lebanese Pounds using their original historical cost and recorded the resulting exchange differences in other comprehensive income under currency translation adjustment, which constitutes a departure from IAS 21.

Had the Group applied the requirements of IAS 21 many accounts and disclosures in the consolidated financial statements, including comparative financial information, would have been materially different. The effects on the consolidated financial statements from the above departures have not been determined. Our opinion in the prior year was also modified in respect of this matter.

3. As further disclosed in note 1 to the consolidated financial statements, the situation of economic and financial crisis driven by a banking systemic risk and which has been prolonged in the absence of a meaningful reform plan, indicates that a material uncertainty exists for business continuity in relation to the Lebanese operations of the parent bank that may impact adversely its ability to continue as a going concern. Our opinion in the prior year was also modified in respect of this matter.

4. The Group held balances with the Central Bank of Lebanon (including a portfolio of Certificates of deposits issued by the Central bank of Lebanon) with a total carrying amount of LBP427,385billion as at 31 December 2024 (2023: LBP73,305billion), a portfolio of Lebanese government debt securities at amortized cost of LBP1,026billion (2023: LBP1,303billion) and a portfolio of loans to customers, concentrated in Lebanon, with a carrying amount of LBP8,518billion (2023: LBP2,368billion). These balances were not stated net of allowances for expected credit losses which take into account the significant deterioration in credit quality since initial recognition which has arisen as a result of the continuing economic crisis in Lebanon, as disclosed in Note 1, which constitutes a departure from IFRS Accounting Standards. We were unable to determine the adjustments necessary to these amounts. Our opinion in the prior year was also modified in respect of this matter.

5. Financial assets at fair value through profit or loss which are carried in the consolidated statement of financial position at LBP14,842billion (2023: LBP913billion), include equity investment securities of LBP1,708billion (2023: LBP22.3billion), which are issued by corporate entities domiciled in Lebanon. The aforementioned financial assets were stated at fair value by using inputs into the determination of fair value which are not indicative of economic reality and market conditions existing in Lebanon at the reporting date, which constitutes a departure from IFRS Accounting Standards. We were unable to determine the adjustments necessary to these amounts. Our opinion in the prior year was also modified in respect of this matter.

   As further disclosed in note 1 to the consolidated financial statements, the Group held a portfolio of Lebanese Government bonds at fair value through profit or loss amounting to LBP11,716billion as at 31 December 2024. Out of this balance, LBP2,768billion as of 31 December 2024 and an additional LBP3,096billion as of the date of this report, had matured but remained uncollected. The Lebanese Government bonds are subject to significant uncertainty following the Lebanese Government's default in 2020 and its continued failure to settle outstanding obligations. Given the prevailing economic conditions and the lack of reliable market data, the fair value of these instruments may be subject to material adjustments. However, due to the inherent uncertainties surrounding the Lebanese economy and the absence of observable inputs, we were unable to quantify the potential impact of such adjustments.

6. The fair value of the financial assets and financial liabilities at amortized cost were not disclosed, which constitutes a departure from IFRS Accounting Standards. We were unable to determine the amounts that should have been disclosed in the consolidated financial statements. Our opinion in the prior year was also modified in respect of this matter.

Basis for Adverse Opinion (continued)

7. Provisions which are carried in the consolidated statement of financial position at LBP8,852billion as at 31 December 2024 (2023: LBP 508billion), include a provision for risks and charges amounting to LBP6,075billion (2023: LBP193billion). We were not provided with sufficient appropriate audit evidence to support the recognition, measurement, and completeness of this provision. Consequently, we were unable to assess whether this provision meets the recognition criteria set out in IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", and whether any adjustments to the provision as at 31 December 2024, and to related profit or loss accounts for the year then ended, were necessary.

   Moreover, it includes a provision for expected credit losses on financial guarantees and other commitments of LBP295billion (2023: LBP57billion). The allowance for expected credit losses on financial guarantees and other commitments which takes into account the full impact of the economic crisis and political turmoil in Lebanon has not been stated, which constitutes a departure from IFRS Accounting Standards. We were unable to determine the adjustments necessary to this amount. Our opinion in the prior year was also modified in respect of this matter.

8. As disclosed in Note 3 to the consolidated financial statements, the Group has not applied the requirements of IFRS 17 – Insurance Contracts for the year ended 31 December 2024, as the Insurance Control Commission – ICC (regulatory body of insurance companies in Lebanon) requested the insurance companies to apply the requirements of IFRS 17 starting 1 January 2025. Consequently, the Group has continued to account for its insurance contracts using the previous accounting policies based on IFRS 4 "Insurance Contracts", which constitutes a departure from IFRS Accounting Standards. Had the Group applied the requirements of IFRS 17, many elements of the accompanying consolidated financial statements, including disclosures, would have been significantly impacted. The effects on the consolidated financial statements of this departure have not been determined.

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

Emphasis of Matter

We draw attention to Note 1.3.1 to the consolidated financial statements, which describes the exchange rate used for the translation of monetary assets and liabilities denominated in foreign currencies into the Lebanese Pound which is the functional currency of the Bank.

Consequently, the comparability of certain items in the consolidated financial statements for the years ended 31 December 2024 and 31 December 2023 is compromised due to the change in the official exchange rate used for converting monetary assets and liabilities accounts denominated in foreign currencies into Lebanese Pound.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the matters described in the Basis for adverse opinion section of our report, we have determined that there are no other key audit matters to communicate in our report.

INDEPENDENT AUDITORS' REPORT

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

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

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

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

Beirut, Lebanon
16 July 2025

DFK Fiduciaire du Moyen-Orient

Sarkis Sakr & Partners

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

ASSETS	Notes	31 December 2024 LBP million	31 December 2023 LBP million
Cash and deposits at central banks	5	416,150,762	73,497,839
Deposits with banks and financial institutions	6	48,507,230	6,311,340
Financial assets at fair value through profit or loss	7	14,842,316	912,679
Loans to banks	8	6,683,434	1,462,044
Loans and advances to customers	9	174,893,209	27,995,915
Loans and advances to related parties	10	1,610,959	319,637
Investment securities at fair value through other comprehensive income	11	40,693	24,893
Investment securities at amortized cost	11	66,766,444	12,335,066
Customers' liability under acceptances	12	244,559	87,996
Investments in associates	13	28,608	14,022
Assets acquired in satisfaction of loans	14	1,048,938	150,486
Assets held for sale	15	-	570,000
Property and equipment	16	12,455,646	8,755,525
Goodwill	17	452	87,034
Right-of-use assets	18	562,735	62,778
Other assets	19	4,051,559	594,641
Total Assets		747,887,544	133,181,895
Financial instruments with off-balance sheet risks			
Letters of guarantee and standby letters of credit	46	13,726,138	3,292,527
Documentary and commercial letters of credit	46	6,200,146	1,034,488
Notional amount of interest rate swap	46	430,030	79,025
Forward exchange contracts	46	1,053,018	267,961
Fiduciary accounts	47	18,218,638	2,258,149

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

(Continued)

LIABILITIES	Notes	31 December 2024 LBP million	31 December 2023 LBP million
Deposits from banks and financial institutions	20	38,767,220	5,200,482
Deposits from customers and related parties	21	629,670,825	107,171,298
Liabilities under acceptance	12	246,222	88,105
Other borrowings	22	545,737	2,384,083
Certificates of deposit	23	34,145	6,707
Lease liability	18	554,527	104,370
Other liabilities	24	11,985,199	1,296,169
Provisions	25	8,851,970	507,663
Total liabilities		690,655,845	116,758,877
EQUITY			
Common share capital	26	89,055	89,055
Share premiums	26	143,800	143,800
Preferred shares	27	844,125	844,125
Shareholders' cash contribution to capital	28	1,403,269	1,403,269
Reserves	29	7,583,053	8,200,124
Accumulated losses		(1,035,271)	(795,252)
Investment revaluation reserve		27,961	16,102
Treasury shares	30	(5,469)	(5,469)
Foreign currency translation reserve		48,040,208	7,124,891
Profit/(loss) for the year	44	81,911	(617,850)
Equity attributable to the equity holders of the Bank		57,172,642	16,402,795
Non-controlling interests	31	59,057	20,223
Total equity		57,231,699	16,423,018
Total Liabilities and Equity		747,887,544	133,181,895

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

	Notes	Year Ended 31 December 2024 LBP million	2023 LBP million
Interest income	33	19,781,013	3,740,966
Less: tax on interest	33	(284,533)	(122,961)
Interest income, net of tax		19,496,480	3,618,005
Interest expense	34	(8,948,115)	(940,876)
Net interest income		10,548,365	2,677,129
Fee and commission income	35	6,102,056	1,593,844
Fee and commission expense	36	(1,148,919)	(167,402)
Net fee and commission income		4,953,137	1,426,442
Net gain /(loss) on financial assets at fair value through profit or loss	37	6,084,563	(2,927,600)
(Loss)/gain on derecognition of financial assets at amortized cost	11	(16,924)	817
Other operating income (net)	38	4,725,763	955,941
Net financial revenues		26,294,904	2,132,729
Allowance for expected credit losses (net)	39	(6,397,227)	(108,988)
Other provisions (net)	40	(5,948,711)	(94,089)
Net financial revenues after impairment charges		13,948,966	1,929,652
Staff cost	41	(5,537,640)	(1,298,468)
General and administrative expenses	42	(4,638,488)	(904,335)
Depreciation and amortization	43	(855,687)	(101,290)
Profit/(loss) before income tax		2,917,151	(374,441)
Income tax expense	24	(2,524,221)	(163,864)
Deferred tax on undistributed profit	24	(285,097)	(62,369)
Profit/(loss) for the year		107,833	(600,674)
Attributable to:			
Equity holders of the Bank	44	81,911	(617,850)
Non-controlling interests	31	25,922	17,176
		107,833	(600,674)
Basic profit/(loss) per share in LBP	45	LBP 1,347	LBP (10,160)
Diluted profit/(loss) per share in LBP	45	LBP 1,347	LBP (10,160)

BANK OF BEIRUT S.A.L.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME

	Notes	Year Ended 31 December 2024 LBP million	2023 LBP million
Profit/(loss) for the year		107,833	(600,674)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustment related to foreign operations		40,928,229	7,124,396
Change in fair value of cash flow hedge		353	4,116
		40,928,582	7,128,512
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of investment in equity securities at fair value through other comprehensive income		11,859	9,232
(Adjusted gain) / gain on revaluation of real estate properties, net of tax		(666,786)	7,234,294
		(654,927)	7,243,526
Total other comprehensive income for the year		40,273,655	14,372,038
Total comprehensive income for the year		40,381,488	13,771,364
Attributable to:			
Equity holders of the Bank		40,342,654	13,754,188
Non-controlling interests		38,834	17,176
		40,381,488	13,771,364

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

	Common Share Capital	Share Premiums	Non-Cumulative Preferred Shares	Shareholders' Cash Contribution to Capital	Real Estate Properties Revaluation Surplus	Investment Revaluation Reserve	Reserve for Assets Acquired in in Satisfaction of Loans	Reserves and Retained Earnings	Treasury Shares	Currency Translation Adjustment	Profit/ (loss) for the year	Equity attributable to the Equity Holders of the Bank	Non-Controlling Interests	Total
	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million
Balance at 1 January 2023	89,055	143,800	844,125	208,683	1,669	6,872	13,346	668,413	(5,469)	495	(593,576)	1,377,414	3,047	1,380,461
Allocation of 2022 loss	-	-	-	-	-	-	1,796	(595,372)	-	-	593,576	-	-	-
Reclassification from free reserves	-	-	-	-	-	-	(366)	366	-	-	-	-	-	-
Cash contribution to capital	-	-	-	1,194,586	-	-	-	-	-	-	-	1,194,586	-	1,194,586
Effect of exchange difference	-	-	-	-	-	(3)	-	76,610	-	-	-	76,607	-	76,607
Total comprehensive income for the year 2023	-	-	-	-	7,234,294	9,232	-	4,116	-	7,124,396	(617,850)	13,754,188	17,176	13,771,364
Balance at 31 December 2023	89,055	143,800	844,125	1,403,269	7,235,963	16,102	14,776	154,133	(5,469)	7,124,891	(617,850)	16,402,795	20,223	16,423,018
Allocation of 2023 loss	-	-	-	-	-	-	2,331	(620,181)	-	-	617,850	-	-	-
Reclassification from free reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash contribution to capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prior Period Adjustments	-	-	-	-	(1,450)	-	-	-	-	-	-	(1,450)	-	(1,450)
Effect of exchange difference	-	-	-	-	-	-	-	427,193	-	-	-	427,193	-	427,193
Total comprehensive income for the year 2024	-	-	-	-	(665,336)	11,859	-	353	-	40,915,317	81,911	40,344,104	38,834	40,382,938
Balance at 31 December 2024	89,055	143,800	844,125	1,403,269	6,569,127	27,961	17,107	(38,502)	(5,469)	48,040,208	81,911	57,172,642	59,057	57,231,699

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

	Notes	Year Ended 31 December 2024 LBP million	2023 LBP million
Cash flows from operating activities:			
Profit / (loss) for the year		107,833	(600,674)
Adjustments for:			
Income tax expense	24	2,524,221	163,864
Adjustments for assets reclassified as assets held for sale		-	(491,390)
Depreciation and amortization	43	855,687	101,290
Allowance for expected credit losses (net)	39	6,397,227	108,988
Deferred tax	24	394,291	74,550
Finance cost on lease liability	42	41,265	4,913
Unrealized gain / (loss) on financial assets at fair value through profit or loss	37	(5,990,109)	2,951,430
Gain on sale of assets acquired in satisfaction of loans	38	-	(348)
Gain on sale of property and equipment	38	-	(154)
Share in profits of an associate	38	(14,586)	(5,102)
Provision for end of service indemnity for employees	25	1,076,912	113,988
Provision for risks and charges	25	5,846,121	49,495
Other provisions		1,052,574	213,939
Other adjustments and effect of difference on exchange		37,093,454	5,894,118
		49,384,890	8,578,907
Net increase in financial assets at fair value through profit or loss		(7,939,528)	(3,845,850)
Net increase in loans to banks		(5,213,747)	(1,239,874)
Net increase in loans and advances to customers		(147,035,621)	(24,231,786)
Net increase in loans and advances to related parties		(1,215,325)	(278,607)
Net increase in cash and deposits with central banks		(162,403,534)	(33,961,669)
Net increase in deposits with banks and financial institutions		(2,735,503)	(1,608,869)
Net increase in investment securities		(54,658,979)	(9,486,451)
Net increase in other assets		(3,186,446)	(359,016)
Net increase/(decrease) in deposits from banks and financial institutions		12,168,010	(299,495)
Net increase in other liabilities		7,770,771	711,421
Net increase in deposits from customers and related parties		522,499,528	93,158,194
Settlement of end-of-service indemnity	25	(102,719)	(1,035)
Net cash generated from operating activities		207,331,797	27,135,870
Cash flows from investing activities:			
Acquisition of property and equipment		(449,268)	(40,091)
Proceeds from sale of assets acquired in satisfaction of loans		-	719
Proceeds from sale of property and equipment		3	277
Net cash used in investing activities		(449,265)	(39,095)
Cash flows from financing activities:			
Cash contribution to capital		-	1,194,586
(Decrease)/increase in other borrowings		(1,605,414)	1,588,728
Increase in certificates of deposit		27,438	6,096
Payment of lease liabilities		(165,931)	(19,089)
Net cash (used in)/generated from financing activities		(1,743,907)	2,770,321
Net increase in cash and cash equivalents		205,138,625	29,867,096
Cash and cash equivalents - Beginning of year	48	34,900,595	5,033,499
Cash and cash equivalents - End of year	48	240,039,220	34,900,595

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 on 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 39 branches (42 branches in 2023) throughout Lebanon with a focus in the city of Beirut and its suburbs. The Bank has a branch in the Sultanate of Oman, two subsidiary banks in the United Kingdom and Australia and representative office in Nigeria. 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 48. The headquarters of Bank of Beirut S.A.L. are located in Fosh Street, Down Town Beirut, Lebanon.

1.1 The Macro Economic Environment

Lebanon has been witnessing since the last quarter of 2019 severe events which had and continue to have a significant impact on the fiscal, monetary and economic outlook, as well as deep recession that have reached unprecedented levels.

Since 2020, the Lebanese economy has been recognized as a hyperinflationary economy, the currency depreciation has accelerated, and dollarization increased.

Lebanon's sovereign credit ratings have witnessed a series of downgrades by all major rating agencies, reaching the level of default in March 2020 following the Lebanese Government decision to discontinue payments on all its outstanding USD denominated Eurobonds.

Throughout this sequence of events, the ability of the Lebanese Government and the banking sector in Lebanon to borrow funds from international markets was affected. As a result of the ensuing shortage in US Dollars, local banks have imposed de-facto capital controls, restricted transfers of foreign currencies outside Lebanon, allowed limited cash withdrawals, ceased financing activities and can no longer attract new deposits easily. The difficulty of accessing foreign currencies led to the emergence of parallel exchange rates to the official peg deviating significantly from the official rate LBP/USD.

In February 2023, the Ministry of Finance and the Central Bank of Lebanon (BDL) increased the official published exchange rate LBP/USD from 1,507.5 to 15,000. In January 2024, the BDL sets the LBP/USD exchange rate at 89,500 to align with the prevailing market rate, which remains unchanged as of the date of issuance of these consolidated financial statements.

As a result, the Lebanese market saw the need to differentiate between foreign currency bank accounts that are subject to de-facto capital controls (funds which existed within the Lebanese banking sector prior to October 2019) and those that are not subject to capital controls (as they are sourced from foreign currency cash and/or from incoming transfers from abroad). Companies have been transacting on the basis of multiple exchange rates depending on the nature of transactions and stakeholders (clients, suppliers, other stakeholders).

International Monetary Fund (IMF)
On 7 April 2022, the Lebanese authorities and the IMF team have reached a staff-level agreement on a comprehensive economic reform program for a US$ 3 billion that could be supported by a 46-month Extended Fund Arrangement (EFF). This agreement is subject to the approval of IMF management and the Executive Board, after the timely implementation of all prior actions and confirmation of international partners' financial support. Lebanon has not met the basic conditions required by this agreement.

A delegation from the IMF conducted a "fact-finding" mission in Lebanon during March 2025 and it welcomed the Lebanese authorities' request for a new IMF-supported program to support their efforts to address Lebanon's significant economic challenges.

1. GENERAL INFORMATION (Continued)

1.1 The Macro Economic Environment (Continued)

Lebanese Government's Financial Recovery Plan

On 20 May 2022, the Lebanese Government endorsed a financial recovery plan which includes several measures to secure international aid and unlock funds from the IMF. As a result of the political paralysis, up until January 2025, laws for the reinstatement of financial stability, for the restructuring of the banking sector and for capital controls are yet to be issued. Despite the urgency for action, progress in implementing the recovery plan has been slow, with internal interests and disputes stalling the program.

The IMF delegation has conditioned further cooperation on the presence of a comprehensive financial and economic recovery plan agreed upon by all stakeholders, including the government, parliament, central bank, commercial banks, and depositors. The recent political developments in Lebanon have led to cautious optimism for an improvement in the country's economic situation.

Regional conflict

Amid the Middle Eastern conflict's spillover, October 2023 saw an escalation in military confrontation on Lebanon's southern border. In September 2024, the impact of the ongoing conflict has intensified, marked by escalating military confrontation, widespread destruction to local establishments and infrastructure across Lebanon, particularly in the south, the Bekaa valley, and Beirut's southern suburbs. A temporary ceasefire for 60 days was announced on 27 November 2024 and has been extended multiple times, but violations continue to occur.

Reconstruction and recovery needs following the conflict that affected Lebanon are estimated at USD 11 billion, according to a "Lebanon Rapid Damage and Needs Assessment (RDNA) 2025 report" released by the World Bank.

Lebanon's Post-Ceasefire Economic Outlook

As a result of the recent political developments (ceasefire agreement, presidential elections, new cabinet announcement, etc), Lebanon's economy and money market with the rebound in Lebanon's Eurobonds, have shown signs of cautious optimism driven by renewed political stability and international support. However, the economy remains fragile, with significant damage to infrastructure and ongoing challenges in sectors such as tourism and agriculture.

Banking secrecy law

During April 2025, the Lebanese Parliament approved the amendments of the Lebanese banking secrecy law, marking a crucial step towards financial transparency and alignment with international standards. The recent amendment aims to grant authorized entities - including independent auditors, regulatory bodies, and the central bank - access to banking records dating back ten years, a key demand by the IMF to advance Lebanon's economic reform agenda.

Restructuring the banking sector

During April 2025, Lebanon's Cabinet has approved the draft banking restructuring law which is yet to be approved by the Parliament. The bank restructuring law aims at reinstating stability in the financial sector, protecting deposits during the restructuring and recovery process, limiting the use of public funds in the bank restructuring process and ensuring that basic functions of banks are not interrupted.

The draft law also lists a set of criteria that will determine if a bank is failing or likely to fail namely its ability to meet minimum capital adequacy requirements, minimum liquidity requirements, achieve and maintain profitability, honor its due liabilities, among others. The Higher Banking Commission can utilize several tools to address the situation of concerned banks, such as bail-in, recapitalization by existing or new shareholders, transferring part or all of the balance sheet to another institution, and mergers with other banks.

1. GENERAL INFORMATION (Continued)

1.2 Central Bank of Lebanon policy initiatives

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

Regulatory framework:

- *Intermediate Circular 567:*
  - BDL licensees should apply the following minimum regulatory expected credit loss ("ECL") ratios, while permitting banks to constitute progressively those ECLs over a period of five years (starting from 2020). The BDL Central Council may consider the extension of the period to 10 years, for banks that manage to complete the 20% cash contribution to capital requirement. Intermediate circular 649 issued on 24 November 2022 replaced the aforementioned five years and ten years deadline by the fixed dates of 31 December 2026 and 31 December 2029 respectively:
    - Foreign currency placements with BDL, including certificates of deposits: 1.89%
    - Local currency deposits with BDL: 0%
    - Lebanese government bonds in foreign currencies: 75%
    - Lebanese treasury bills in local currency: 0%

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

  - Prohibition of dividends distribution on banks' common shares for the years 2019 and 2020, then extended to the years 2021, 2022, 2023 and 2024 as per Intermediate Circulars 616, 659, 676 and 726.

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

  - Banks can include the revaluation surplus of property and equipment in Tier I capital, subject to BDL approval on the revaluation. However, on 20 January 2023, Intermediate Circular 659 capped the inclusion of revaluation of property and equipment at 50% in Common Equity Tier 1 under certain conditions while allowing the use of the prevailing Sayrafa rate at the end of each reporting period over 5 years. Besides, it widened the scope of revaluation to include participations and long-term loans to affiliated banks and financial institutions. Intermediate Circular 685 issued on 28 December 2023 increased the contribution of this revaluation to Common Equity Tier 1 from 50% to 75%.

  - Banks must comply with the minimum capital adequacy ratios. Bank should refrain from dividend distribution, should these ratios fall below 7% for Common Equity Tier I ratio; 10% for Tier I ratio; and 12% for total capital ratio.
    Furthermore, if the capital conservation buffer on Common Equity falls below 2.5% of risk weighted assets during 2020 and 2021, banks should rebuild the gap by end of 2024, by a minimum of 0.75% per year, starting 2022. Intermediate Circular 689 issued on 2 February 2024 allowed a full draw down of the 2.5% buffer during years 2023 and 2024. Central Bank of Lebanon will issue future instructions for reconstitution of capital.

1. GENERAL INFORMATION (Continued)

1.2 Central Bank of Lebanon policy initiatives (Continued)

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

- As exceptional measures for the years 2020 and 2021, 100% of ECL on Stage 1 and Stage 2 exposures (except those against sovereign and BDL exposures in local and foreign currency), may be added to common equity Tier I capital. These will be gradually amortized to 75% in 2022, 50% in 2023 and 25% in 2024.

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

  - In order to enhance their offshore liquidity, banks are required to instigate those depositors to repatriate 30% (in the case of banks' key executives and politically exposed persons) and 15% (for other depositors) of their overseas transfers made since 1 July 2017 and exceeding the equivalent of USD 500,000. Funds received will be deposited in special saving accounts for 5 years (extended to 8 year-term following Intermediate Circular 707 dated 20 September 2024) and will not be subject to compulsory reserve requirements.

  - Banks should secure by 28 February 2021, offshore foreign currency deposits equivalent to a minimum of 3% of their total foreign currency deposits as at 31 July 2020. The requirement was later subject to several amendments; the latest (Intermediate Circular 707) considered foreign currencies deposits as at 31 July 2024 as the basis for the computation instead of 31 July 2020, thus lowering liquidity required levels as customers' deposits decreased over the period. Banks are granted a time limit ending 31 December 2025 to adjust their situation accordingly. Also it added to the numerator Lebanese sovereign Eurobonds as well as US Treasury and Investment grade foreign debt instruments on the condition they are held at fair value. Intermediate Circular 716 issued on 21 November 2024 expanded again the scope to include sovereign debts instruments issued by G10 countries and debt instruments rated "BBB" and above held at fair value.

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

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

1. GENERAL INFORMATION (Continued)

1.2 Central Bank of Lebanon policy initiatives (Continued)

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

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

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

Monetary policies and socio-economic support:

- *Intermediate Circulars 547 and 552* issued on 23 March 2020 and 22 April 2020 respectively requesting banks to rollover loans to customers in local and foreign currencies maturing between March 2020 to June 2020 up to 5 years at zero interest rate and fees, subject to the bank assessment of the customers' inability to settle their dues because of the economic situation. BDL also allowed the extension of loans to businesses to fund salaries and operating expenses, at the same terms mentioned above. In return, BDL would extend loans to banks in USD at zero interest rates against those loans to banks' customers.

- *Basic Circular 150* issued on 9 April 2020 exempting banks from placing mandatory reserves with the Central Bank of Lebanon in relation to funds transferred from abroad or cash deposits in foreign currency received after 9 April 2020 subject to preserving and guaranteeing the liberty of the depositors in determining the use of these funds and benefiting from all kinds of banking services (transfers abroad, international credit card limits, foreign currency cash withdrawals, ...).
  Banks are requested to maintain at all times an amount equivalent to those funds in the form of (i) cash held in vaults at the Bank's premises, (ii) offshore accounts held with correspondents and (iii) "cash money" accounts held with BDL as per Basic Circular 165 definition. Intermediate Circular 715 issued on 21 November 2024 expanded the scope to include sovereign debts instruments issued by G10 countries and debt instruments rated "BBB" and above on the condition they are held at fair value.

- *Basic Circular 152 and Intermediate Circular 569* issued on 6 August 2020 and 26 August 2020 respectively allowing banks extension of loans up to 5 years at zero interest rate, to help those affected by the Beirut Seaport explosion. In return, BDL would extend loans to banks in USD at zero interest rates against those loans to banks' customers.

- *Intermediate Circular 568* issued on 26 August 2020 requesting banks to accept repayment by resident customers of their USD denominated retail loans (up to USD 800,000 for housing loans and USD 100,000 for retail loans) in local currency at the official exchange rate (LBP 1,507.5 to the USD). On 20 January 2023, Intermediate Circular 656 revoked the aforementioned decision and banded the non-resident customers to settle their payments in offshore USD.

1. GENERAL INFORMATION (Continued)

1.2 Central Bank of Lebanon policy initiatives (Continued)

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

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

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

- *Intermediate Circular 648* issued on 1 November 2022 (amending Basic Circulars 14 and 67) reduced by 50% the interest rates on foreign currencies placements with BDL and on Certificates of Deposit issued by BDL while continuing paying 50% of coupon payment in the instrument's currency and 50% in LBP at official rate (LBP 1,507.5 to the US Dollar until 31 January 2023 and LBP 15,000 to the US Dollar afterwards). This circular was later amended on 2 February 2024 by Intermediate Circular 686 increasing the interest rate reduction on foreign currencies placements with BDL and on Certificates of Deposit issued by BDL from 50% to 75% while limiting the coupon payment to be in FCY only. The Intermediate Circular 701 issued on 27 June 2024 specified that interests paid in USD by BDL on the banks' term deposits in US dollars and on Certificates of deposit in US Dollars owned by banks will be placed in the "non-cash money" current account opened at BDL for the concerned bank. Those provisions are applicable until 31 December 2024. Intermediate Circular 719 issued on 17 December 2024 extended the deadline to 30 June 2025.

- *Intermediate Circular 712* issued on 10 October 2024 (amending Basic Circular 147) stipulates that the bank that issued a banker's check to one of its client, has to return the check to the client's account upon the client's request and under his responsibility, provided the check has not been endorsed and there are no legal restrictions or ongoing litigations between the client and the bank regarding this check or the client's account. If the client's account has been closed, the bank is required to reopen it in order to deposit the check. If eligible, the client may benefit from the provisions of BDL Basic Circulars 158 and 166 or any future related circulars.

Foreign exchange policies:

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

- *Basic Circular 157 "Exceptional Procedures on Foreign currency Operations"* issued on 10 May 2021 enacting the legal and regulatory framework of the 'Sayrafa' foreign exchange trading platform developed by the Central Bank of Lebanon. Transactions that can be conducted on the 'Sayrafa' platform consist of purchasing LBP in exchange of fresh foreign currency and purchasing fresh foreign currency in exchange of LBP. Banks are required to properly document each transaction and should not collect commission margins between buy and sell operations exceeding 1%.

1. GENERAL INFORMATION (Continued)

1.2 Central Bank of Lebanon policy initiatives (Continued)

- *Basic Circular 158 "Exceptional Measures for the Gradual Withdrawal of Deposits in Foreign currencies"* issued on 8 June 2021 setting out an exceptional framework for the settlement of onshore foreign currency deposits up to an amount equivalent to USD 50,000. To benefit from the provisions of the said circular, certain eligibility criteria must be met.
  Customers' monthly entitlements are (i) an amount of USD 400 in cash or equivalent (transfer abroad, credited to a payment card with international usage, etc...) and (ii) an amount in LBP equivalent to USD 400 and converted at a rate USD/LBP 12,000 (before amendment USD/LBP at 15,000 on 20 January 2023), noting that 50% of the amount will be paid in cash and 50% will be credited to a payment card. On 5 July 2023, Intermediate Circular 674 introduced several amendments to the Basic Circular 158. First, it cancelled the amount in LBP that clients were able to withdraw on a monthly basis from their foreign currencies' accounts opened before 31 October 2019. Second, for the US Dollars portion, the monthly withdrawal remains unchanged at USD 400 per month from the outstanding balance of subaccount opened prior to 1 July 2023 when the client signed the agreement with the Bank based on the aforementioned circular. Third, for all subaccounts created after 30 June 2023, the monthly withdrawal limit is set at USD 300 per month.
  On 17 November 2023, BDL issued Intermediate Circular 682 adding an eligibility criteria to benefit from Basic Circular 158; Customers who have transferred their funds after the crisis to another local Bank can benefit from the provisions of said circular if (i) transferred funds are returned to the originating bank, and if (ii) the customer hadn't benefited from the circular neither from the originating Bank, nor the destination Bank. The financing of the aforementioned process will be secured equally through (i) BDL reduction of compulsory reserves requirements from 15% to 14% as per BDL Intermediary Circular 586 and (ii) the Bank's offshore liquidity. To that end, the Bank can use its foreign liquidity subject computed as per BDL Basic Circular 154 requirements on the condition that it reconstitutes it by 31 December 2024 as amended by the Intermediate Circular 674 issued on 5 July 2023.
  On 8 June 2024, BDL issued Intermediate Circular 697 expanding the scope of beneficiaries to include minors. Besides, beneficiaries of BDL Basic Circular 158 can now benefit from BDL Basic Circular 166 as long they don't benefit from both circulars concurrently in the same "yearly cycle" (1st of July in any given year -30th of June in the following year). The yearly cycle requirement was later on removed by Intermediate Circular 717 issued on 26 November 2024.
  During 2024 several intermediary circulars were issued granting additional payments to beneficiaries of Basic Circular 158 (2 in October 2024, 1 for each month from November 2024 to January 2025) All additional payments were financed from the Bank's compulsory reserves with BDL in foreign currency. Intermediate circular 729 issued on 20 February 2025 increased the monthly payment to be USD 500 for all beneficiaries of Basic Circular 158. The additional amounts were financed from the Bank's compulsory reserves with BDL in foreign currency.

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

1. GENERAL INFORMATION (Continued)

1.2 Central Bank of Lebanon policy initiatives (Continued)

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

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

- *Intermediate Circular 683* issued on 17 November 2023 amending the provisions of BDL Basic Circular 32 which defines the framework of Foreign Exchange ("FX") operations in Banks operating in Lebanon and various FX positions computation. This circular came on the wake of several amendments applied in 2023 (Intermediate Circular 659, Intermediate Circular 675 and Intermediate Circular 677) aiming at converging to the IAS 21: The Effects of Changes in Foreign Exchange Rates differentiating monetary from non-monetary items and the corresponding impact on the Bank's FX position. Based on the new definition, the Bank is authorized to hold a Special Long FX position to hedge its core equity against FX risk. This special long FX position is to be deducted from the FX open position to reach the FX Trading Position. Besides, the circular reintroduced the 1% maximum limit (if the Bank holds concurrently a long open position and a net long trading position) on net trading position and 40% limit on Global position, while cancelling all previously authorized structural/fixed positions and any forbearance limit. The Intermediate Circular 730 issued on 20 February 2025 stated that excesses over set limits whether long or short should be liquidated by 31 December 2025.

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

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

- *Basic Circular 166* issued on 2 February 2024 defining a new mechanism for the repayment of restricted funds in FCY and de-facto replacing Basic Circular 151, which authorized limited withdrawals in LBP from FCY accounts at pre-defined exchange rates and has not been renewed. Beneficiaries from said circular – who cannot be old or current beneficiaries from Basic Circular 158 - would be able to withdraw on a monthly basis USD 150 in cash up to a cumulative amount of USD 4,350 until June 2026. 50% of said amount will be financed from the Bank's own liquidity and 50% from the Bank's restricted funds with BDL. Certain exclusions parameters apply to potential customers wishing to benefit from the circular (Customers who did not return offshore transfers as per Basic Circular 154, traders of checks, customers who settled their FCY loans for an amount equivalent to USD 300,000 from LBP proceeds, beneficiaries of Sayrafa transactions above or equal to USD 75,000, corporate clients, etc...).

1. GENERAL INFORMATION (Continued)

1.2 Central Bank of Lebanon policy initiatives

On 27 June 2024, Intermediate Circular 698 expanded the scope of beneficiaries to include minors. Besides, beneficiaries of BDL Basic Circular 166 can now benefit from BDL Basic Circular 158 as long they don't benefit from both circulars concurrently in the same "yearly cycle" (1st of July in any given year -30th of June in the following year). The yearly cycle requirement was later on removed by Intermediate Circular 718 issued on 26 November 2024. On 20 February 2025, Intermediate Circular 728 increased the monthly amount that can be withdrawn to USD 250. The additional amounts were financed from the Bank's compulsory reserves with BDL in foreign currency.

- *Basic Circular 167* issued on 2 February 2024 defining the published rate on BDL's electronic platform as the FX translation rate for the Bank's FCY monetary items as well for the non-monetary assets measured at fair value and assets measured as per equity method in line with IAS 21. This measure applies starting 31 January 2024 reported financials.

1.3 The Group's Financial Particulars

1.3.1 Translation of foreign currency transactions and balances

Since the last quarter of 2019, several exchange rates have emerged deviating significantly from each other and from the official published exchange rate.

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

In January 2024, the Central Bank of Lebanon changed the official published exchange rate from LBP 15,000 to LBP 89,500 to the US Dollar, to align with the prevailing market rate, which remains unchanged as of the date of issuance of these consolidated financial statements.

The Group's monetary assets and liabilities in foreign currency, regardless of whether they are onshore or offshore, were converted into Lebanese Pound at the official exchange rate of USD1 = LBP89,500 as at 31 December 2024 (USD1 = LBP15,000 as at 31 December 2023) as published by the Central Bank of Lebanon.

31 December 2024
During February 2024, the Central bank of Lebanon issued Basic Circular No. 167 requesting banks and financial institutions to translate their monetary assets and liabilities denominated in foreign currency using the exchange rate published on BDL electronic platform (which stood at LBP 89,500 to the US Dollars) effective January 31, 2024, aligning the rate with the prevailing market rate. The Group has applied the new rate to translate all monetary balances and transactions in foreign currencies regardless of their source or nature. With respect to onshore monetary assets and liabilities, subject to de-facto capital controls, this does not represent a reasonable estimate of expected cash flows in Lebanese Pounds that would have to be generated/used from the realization of such assets or the payment of such liabilities at the date of the consolidated financial statements.

31 December 2023
In February 2023, the Central Bank of Lebanon changed the official published exchange rate from LBP 1,507.5 to LBP 15,000 to the US Dollars, which significantly varies from the exchange rates in the parallel markets. The Group has applied the new rate to translate all monetary balances and transactions in foreign currencies, regardless of their source or nature, which did not represent a reasonable estimate of expected cash flows in Lebanese Pounds that would have to be generated/used from the realization of such assets or the payment of such liabilities at the date of the separate financial statements.

1. GENERAL INFORMATION (Continued)

1.3 The Group's Financial Particulars (Continued)

1.3.1 Translation of foreign currency transactions and balances (Continued)

The consolidated financial statements as at and for the year ended 31 December 2023 do not include adjustments from the change in this rate from LBP 15,000 to LBP 89,500 to the US dollars.

The gap between the several exchange rates and the subjectivity and complexities surrounding exchange rates remained even after the change in the official published exchange rate and Management believe that the future unification of the exchange rate of the LBP to the US Dollar will further have a significant impact on its financial position and regulatory ratios from the translation of assets and liabilities in foreign currencies at a different rate.

However, due to significant uncertainties, Management is unable to provide an estimate for this impact.

1.3.2 Hyperinflation in Lebanon

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

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

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

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

(a) Financial statements must be adjusted to consider the changes in the currency's general purchasing power, so that they are expressed in the current unit of measure at the end of the reporting period.

(b) In summary, the restatement method under IAS 29 is as follows:

   i. Monetary items are not restated in as much as they are already expressed in terms of the measuring unit current at the closing date of the reporting period. In an inflationary period, keeping monetary assets generates loss of purchasing power and keeping monetary liabilities generates an increase in purchasing power. The net monetary gain or loss shall be included as income for the period for which it is reported.

   ii. Non-monetary items carried at the current value of the end date of the reporting period shall not be restated to be presented in the balance sheet, but the restatement process must be completed in order to determine into the current purchasing power at the end of the reporting period the income derived from such non-monetary items.

1. GENERAL INFORMATION (Continued)

1.3 The Group's Financial Particulars (Continued)

1.3.2 Hyperinflation in Lebanon (Continued)

iii. Non-monetary items carried at historical cost or at the current value of a date prior to the end of the reporting period are restated using coefficients that reflect the variation recorded in the general level of prices from the date of acquisition or revaluation to the closing date of the reporting period, then comparing the restated amounts of such assets with the relevant recoverable values. Depreciation charges of property, plant and equipment and amortization charges of intangible assets recognized in profit or loss for the period, as well as any other consumption of non-monetary assets will be determined based on the new restated amounts.

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

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

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

The application of IAS 29 is very complex and requires the Group to develop new accounting software and processes, internal controls and governance framework. Based on the Group's preliminary assessment, the absence of an official legal payment and settlement mechanism that would reflect in a reasonable manner, the expected cash flows for assets and liabilities in foreign currencies, and the absence of an accurate reflection of price changes impede the useful information that would have been otherwise produced from the application of IAS 29.

Accordingly, the Group has postponed the application of IAS 29 and incurring costs for developing accounting processes and a governance framework until the Group is comfortable that such application would provide the users with more relevant information.

1. GENERAL INFORMATION (Continued)

1.3 The Group's Financial Particulars (Continued)

1.3.3 Exposure to financial instruments (Continued)

As at December 31, 2024, the Group's net credit exposure to Lebanese sovereign debt, including BDL, represented 58.85% of total consolidated assets (2023: 56.5%). LBP denominated net exposures and foreign currency denominated net exposures amounted to LBP3,225billion and LBP436,916billion respectively (2023: LBP2,864billion and LBP72,403billion respectively).

The material uncertainties discussed under Note 1.1 above and the lack of observable indicators, have impacted management ability to formulate adequate loss allowances on the Bank's exposures to BDL, Lebanese Government bonds, deposits with banks, and other financial instruments originated by Lebanese banks and other corporate entities. Therefore, the loss allowances recognized in these financial statements do not represent a reasonable estimate of the expected credit losses on these exposures and have not been assessed in accordance with IFRS 9. This applies as well to the credit risk Staging of these exposures as disclosed in these financial statements. The basis of the loss allowances recognized by the Group against BDL and sovereign exposures is described under Note 54.

The adverse economic conditions and the severe recession resulted in a significant deterioration of the credit quality of the customers' loans portfolio concentrated in Lebanon since the last quarter 2019 despite the drop in the customers' loans portfolio. The Group's credit assessment of the customers' loans portfolio is based on information available to management which did not take into account the circumstances prevailing as a result of the continuing and aggravating economic crisis and recession. Given the high level of uncertainties, Management is unable to estimate in a reasonable manner the impact of these matters on the Group's financial position.

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

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

Management considers that the adverse impact of the above is expected to be pervasive and will have a significant negative impact on the equity of the Bank 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 disclosed in Note 52 to these financial statements, the Bank's capital adequacy ratio as at December 31, 2024 and 2023, 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.

1. GENERAL INFORMATION (Continued)

1.3 The Group's Financial Particulars (Continued)

1.3.4 Litigations and claims

Until the above uncertainties are resolved, the Group is continuing its operations as performed since 17 October 2019 and in accordance with the laws and regulations. De facto capital controls and inability to transfer foreign currencies to correspondent banks outside Lebanon are exposing the Group to litigations that are dealt with on a case-by-case basis when they occur. The Group has been subject to increased litigations as a result of these restrictive measures adopted by Lebanese banks in relation to withdrawal of funds and transfers abroad, as well as in relation to the repayment by customers of local foreign currency loans in Lebanese pound. Management is carefully considering the impact of these existing litigations and claims. There are still uncertainties related to the consequences of these restrictive measures based on the current available information and the prevailing laws and local banking practices. However, due to recent development and the increasing trend in judgments ruled in favor of the plaintiffs and customers during 2021, 2022, 2023, and 2024, management considers that they may affect negatively the offshore liquidity of the Group, its foreign assets and its foreign currency mismatch as disclosed in Note 54. The amount cannot be determined presently.

1.3.5 Law 330 dated 4 December 2024

Law 330 enacted on 4 December 2024 (amending Article 45 of Income Tax Law 144 and its amendments), authorized taxpayers to conduct a nontaxable exceptional revaluation of fixed assets and inventory, and an exceptional adjustment on the negative or positive foreign exchange differences resulting from receivable and payable balances and from financial accounts in foreign currency.

On 12 March 2025, the Ministry of Finance issued the decisions 338, 339 and 340 related to the application of Law 330. At the reporting date, the Bank was unable to quantify or record the impact of the Law in relation to contingent tax liability in the consolidated financial statements for the year ended 31 December 2024.

1.4 State Council Decision Cancels Cabinet Resolution on Financial Sector Reform

On February 6, 2024, the State Council revoked Cabinet Decision No. 3 (May 2022), which had proposed canceling part of BDL's foreign currency obligations to banks, deeming it unconstitutional and unlawful. The ruling followed a legal review by the Association of Banks in Lebanon, which argued the decision violated banking laws and depositors' rights. The Council cited BDL's illegal lending to the government, breaching Articles 90 and 113 of the Code of Money and Credit. It also found the decision obstructed banks' ability to return deposits, undermined professional obligations, and harmed depositors. Additionally, it violated the principle of equality by unfairly burdening depositors while others benefited from state subsidies.

2. APPLICATION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS (IFRS ACCOUNTING STANDARDS)

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

The following new and revised IFRS Accounting Standards, which became effective for annual periods beginning on or after 1 January 2024, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

- *Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments – Disclosures titled Supplier Finance Arrangements*

The amendment addresses the presentation requirements for liabilities and associated cash flows arising from supply chain financing arrangements.

The amendments introduce two new disclosure objectives:
- One in IAS 7: To provide information enabling users (investors) to assess the effects of supplier finance arrangements on an entity's liabilities and cash flows.
- Another in IFRS 7: To help users understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if these arrangements were no longer available.

The amendments aim to enhance transparency and provide investors with better insights into how supplier finance arrangements affect an entity's financial position and risk exposure.

- *Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants*

The amendments require that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement for at least twelve months after the reporting period.

The amendments also provide clarification on the meaning of 'settlement' for the purpose of classifying a liability as current or non-current.

- *Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback*

The amendments specifically address the treatment of lease liability in a sale and leaseback scenario and clarify how a seller-lessee subsequently measures sale and leaseback transactions that meet the requirements in IFRS 15 to be accounted for as a sale.

2. APPLICATION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS (IFRS ACCOUNTING STANDARDS) (Continued)

2.2 New and amended IFRS Accounting Standards that are not yet effective

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

- *Amendment to IAS 21 – Lack of exchangeability*

The amendments specify when a currency is exchangeable into another currency and when it is not, and how an entity determines a spot rate when a currency lacks exchangeability.
Under the amendments, entities are required to provide additional disclosures to help users evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

These amendments are effective for reporting periods beginning on or after 1 January 2025 with early application permitted.

- *Amendments to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments*

The Amendments modify the following requirements in IFRS 9 and IFRS 7:

Derecognition of financial liabilities
- Derecognition of financial liabilities settled through electronic transfers.

Classification of financial assets
- Elements of interest in a basic lending arrangement (the solely payments of principal and interest assessment – 'SPPI test')
- Contractual terms that change the timing or amount of contractual cash flows
- Financial assets with non-recourse features.
- Investments in contractually linked instruments.

Disclosures
- Investments in equity instruments designated at fair value through other comprehensive income
- Contractual terms that could change the timing or amount of contractual cash flows.

The Amendments may significantly affect how entities account for the derecognition of financial liabilities and how financial assets are classified.

The Amendments permit an entity to early adopt only the amendments related to the classification of financial assets and the related disclosures and apply the remaining amendments later. This would be particularly useful to entities that wish to apply the Amendments early for financial instruments with ESG (Environmental, Social and Governance)-linked or similar features.

These amendments are effective for reporting periods beginning on or after 1 January 2026 with early application permitted.

- *IFRS 18 – Presentation and Disclosure in Financial Statement*

IFRS 18 Presentation and Disclosure in Financial Statements replaces IAS 1 Presentation of Financial Statements and sets out significant new requirements for how financial statements are presented, with particular focus on:
- The statement of profit or loss, including requirements for mandatory sub-totals to be presented. IFRS 18 introduces requirements for items of income and expense to be classified into one of five categories in the statement of profit or loss. This classification results in certain sub-totals being presented, such as the sum of all items of income and expense in the operating category comprising the new mandatory 'operating profit or loss' sub-total.

2. APPLICATION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS (IFRS ACCOUNTING STANDARDS) (Continued)

2.2 New and amended IFRS Accounting Standards that are not yet effective (Continued)

- Aggregation and disaggregation of information, including the introduction of overall principles for how information should be aggregated and disaggregated in financial statements.
- Disclosures related to management-defined performance measures (MPMs), which are measures of financial performance based on a total or sub-total required by IFRS Accounting Standards with adjustments made (e.g. 'adjusted profit or loss'). Entities will be required to disclose MPMs in the financial statements with disclosures, including reconciliations of MPMs to the nearest total or sub-total calculated in accordance with IFRS Accounting Standards.

The aim of the IASB in publishing IFRS 18 is to improve comparability and transparency of companies' performance reporting. IFRS 18 has also resulted in narrow changes to the statement of cash flows and is effective for reporting periods beginning on or after 1 January 2027 with early application permitted.

The directors of the Group anticipate that the application of these amendments may have an impact on the Group's financial statements in future periods.

- *IFRS 19 – Subsidiaries without Public Accountability: Disclosures*

IFRS 19 permits eligible subsidiaries to apply reduced disclosure requirements while applying the recognition, measurement and presentation requirements in IFRS Accounting Standards.
The eligibility criteria for an entity to apply IFRS 19 are:

- The entity is a subsidiary (as defined in Appendix A of IFRS 10 Consolidated Financial Statements);
- The entity does not have public accountability; and
- The entity has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

IFRS 19 is effective for reporting periods beginning on or after 1 January 2027 with early application permitted.

Management anticipates that these new standards and amendments will be adopted in the Group's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the Group's financial statements in the period of initial application, except as indicated above.

2.3 IFRS Sustainability Disclosure Standards

IFRS S1 - effective for annual reporting periods beginning on or after 1 January 2024.
IFRS S1 requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term (collectively referred to as 'sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects').

IFRS S2 - effective for annual reporting periods beginning on or after 1 January 2024.
The objective of IFRS S2 is to require an entity to disclose information about its climate-related risks and opportunities that is useful to users of general-purpose financial reports in making decisions relating to providing resources to the entity.

After reviewing the requirements of the above two standards, management has determined that the adoption of IFRS S1 and IFRS S2 has no material impact on the financial statements for the year ended 31 December 2024.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

Statement of Compliance

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

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

The material 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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

A. Basis of Consolidation (Continued)

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	Percentage of Ownership 2024	Percentage of Ownership 2023	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
Bank of Sydney Ltd	Australia	2011	100	100	Banking
Medawar 247 (Held for sale)	Lebanon	2015	-	100	Real estate
Medawar 1216 (Held for sale)	Lebanon	2015	-	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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

B. Business Combinations (Continued)

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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

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:

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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

D. Foreign Currencies (Continued)

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:

(a) 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).

(b) 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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

F. Financial Assets (Continued)

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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

F. Financial Assets (Continued)

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).

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

F. Financial Assets (Continued)

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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

F. Financial Assets (Continued)

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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

F. Financial Assets (Continued)

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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

F. Financial Assets (Continued)

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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

G. Financial Liabilities and Equity Instruments (Continued)

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 54 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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

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.

- **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.

I. 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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

J. 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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

J. Hedge accounting (Continued)

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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

J. Hedge accounting (Continued)

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.

K. 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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

K. Investments in Associates (Continued)

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.

L. Property and Equipment

Property and equipment except for buildings and real estates are stated at historical cost, less accumulated depreciation and any impairment loss. Buildings and real estates are stated at their revalued amounts, being their fair value at the date of revaluation less accumulated depreciation on buildings and impairment losses recognized since the date of revaluation. Under the revaluation model, revaluations are performed with sufficient frequency, so that the carrying amount of the asset does not differ materially from its fair value at the reporting date.

When a revaluation results in an increase in value, the revaluation surplus is recorded in other comprehensive income and accumulated in equity, unless it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is recognized in profit or loss to the extent that it offsets a previously recognized revaluation decrease of the same asset. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

When a revalued asset is disposed of, any revaluation surplus may be transferred directly to retained earnings without recycling to profit or loss. Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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
Installations 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. The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

M. 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.

N. 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.

O. 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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

O. Impairment of Tangible and Intangible Assets (Other than Goodwill) (Continued)

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.

P. 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.

Q. 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.

R. 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'.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

R. Interest Income and Expense (Continued)

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.

S. 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.

T. 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.

U. 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.

V. 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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

V. Income Tax (Continued)

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.

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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

V. Income Tax (Continued)

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.

W. Fiduciary Accounts

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.

X. Leases

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:

1. fixed lease payments (including in-substance fixed payments), less any lease incentives;
2. variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
3. the amount expected to be payable by the lessee under residual value guarantees;
4. the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
5. 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:

6. 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.
7. 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).
8. 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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

X. Leases (Continued)

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.

Y. 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.

Z. 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.

AA. 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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

AB. Insurance Contracts

Insurance Contracts – Under IFRS 4
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.

Insurance Contracts – Under IFRS 17
The Group has not applied IFRS 17 Insurance Contracts in the preparation of the consolidated financial statements for the year ended 31 December 2024 and 2023. Insurance companies in Lebanon are permitted by the local regulatory to defer the adoption of IFRS 17 until 1 January 2025.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

AC. Investment Properties

Investment property is stated at cost less accumulated depreciation and impairment losses. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property is included in profit or loss.

Investment property is depreciated from its date of acquisition through the statement of profit and loss using the straight-line method over its estimated useful life.

The depreciation rate and method is reviewed annually to ensure it reflects the residual value and estimated useful life. Adjustments are made prospectively where there are changes. The depreciation rate used for investment property is 2.5%.

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 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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

A. Critical accounting judgments in applying the Group's accounting policies (Continued)

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 53 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 53 for more details on ECL.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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.

5. CASH AND DEPOSITS AT CENTRAL BANKS

	31 December 2024	31 December 2023
	LBP million	LBP million
Cash on hand	4,120,478	1,244,477
Central Bank of Lebanon		
Compulsory/Regulatory deposits	1,235,797	884,151
Current accounts	135,389,517	20,754,957
Term placements	271,868,088	44,652,878
Term placements subject to leverage arrangements	204,736	2,893,971
Accrued interest receivable, net of tax	662,144	263,395
	409,360,282	69,449,352
Other central banks		
Current accounts	18,854,298	4,210,735
Term placements	116,234	-
Accrued interest receivable	11,970	2,578
	18,982,502	4,213,313
Allowance for expected credit losses		
Balances with Central Bank of Lebanon	(7,705,040)	(1,284,531)
Balances with other central banks	(8,607,460)	(124,772)
	(16,312,500)	(1,409,303)
	416,150,762	73,497,839

Compulsory deposits with the Central Bank of Lebanon ("BDL") are non-interest earning cash compulsory 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 as at 31 December 2024 the equivalent in Omani Riyal (OMR) of LBP116.2billion (LBP19.5billion as at 31 December 2023) 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 at 31 December 2024, the equivalent deposits in foreign currencies of LBP58,709billion (LBP10,364billion as at 31 December 2023) deposited in accordance with local banking regulations which require banks to maintain non-interest earning placements in foreign currency to the extent of 14% of total deposits in foreign currencies regardless of nature.

The movement of allowance for expected credit losses during 2024 and 2023 is summarized under Note 54.

5. CASH AND DEPOSITS AT CENTRAL BANKS (Continued)

- *Term placements with Central Bank of Lebanon ("BDL") subject to leverage arrangements*

Term placements with Central Bank of Lebanon subject to leverage arrangements represent non-conventional financial deals entered into with BDL that triggered investment in term placements with BDL and Lebanese Treasury bills denominated in LBP, classified at amortized cost, earning coupon rates ranging between 6.74% per annum and 11% per annum and having maturities ranging between 2024 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. During 2024, Central Bank of Lebanon offset term placements under leverage arrangements of LBP2,661billion against borrowing from Central Bank of Lebanon.

The leverage arrangements and related pledged assets are as follows:

	31 December	
	2024	2023
	LBP million	LBP million
Term placements with BDL	-	2,661,040
Lebanese treasury bills classified at amortized cost – Note 11	204,736	232,931
Total assets under leverage arrangements	204,736	2,893,971
Offsetting to leverage arrangements with BDL	-	(2,661,040)
Net	204,736	232,931

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

	31 December	
	2024	2023
	LBP million	LBP million
Checks in course of collection	101,752	10,736
Current accounts	26,127,398	3,643,995
Term placements	21,820,010	2,570,993
Pledged deposits – Note 51	500,740	77,063
Accrued interest receivable	46,880	9,797
	48,596,780	6,312,584
Allowance for expected credit losses – Note 54	(89,550)	(1,244)
	48,507,230	6,311,340

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2024		
	LBP	C/V of F/Cy	Total
	LBP million	LBP million	LBP million
Quoted equity securities	-	1,607,675	1,607,675
Unquoted equity securities	-	100,326	100,326
Lebanese treasury bills	1,778	-	1,778
Lebanese Government bonds	-	11,716,052	11,716,052
Foreign Government bonds	-	1,416,453	1,416,453
Accrued interest receivable, net of tax	32	-	32
	1,810	14,840,506	14,842,316

	31 December 2023		
	LBP	C/V of F/Cy	Total
	LBP million	LBP million	LBP million
Quoted equity securities	-	6,599	6,599
Unquoted equity securities	-	15,704	15,704
Lebanese treasury bills	2,694	-	2,694
Lebanese Government bonds	-	887,630	887,630
Accrued interest receivable, net of tax	52	-	52
	2,746	909,933	912,679

8. LOANS TO BANKS

	31 December	
	2024	2023
	LBP million	LBP million
Discounted acceptances (a)	2,168,780	462,005
Short term loans (b)	4,836,318	1,058,914
Accrued interest receivable	75,805	10,437
Less: Deferred interest	(98,518)	(17,818)
	6,982,385	1,513,538
Allowance for expected credit losses – Note 54	(298,951)	(51,494)
	6,683,434	1,462,044

(a) 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.

(b) 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

	31 December 2024		
	Gross Amount LBP million	Expected Credit Loss LBP million	Carrying Amount LBP million
Performing loans:			
Retail	136,820,353	(175,581)	136,644,772
Corporate and SME	31,340,403	(660,749)	30,679,654
Credit impaired loans:			
Retail	2,789,039	(2,262,994)	526,045
Corporate and SME	21,769,426	(15,236,496)	6,532,930
Accrued interest receivable	509,808	-	509,808
	193,229,029	(18,335,820)	174,893,209

	31 December 2023		
	Gross Amount LBP million	Expected Credit Loss LBP million	Carrying Amount LBP million
Performing loans:			
Retail	21,473,434	(160,916)	21,312,518
Corporate and SME	4,920,439	(312,420)	4,608,019
Credit impaired loans:			
Retail	269,804	(237,987)	31,817
Corporate and SME	4,691,140	(2,725,304)	1,965,836
Accrued interest receivable	77,725	-	77,725
	31,432,542	(3,436,627)	27,995,915

Loans and advances to customers include creditors accidentally debtors' balances aggregating to LBP127.5billion as at 31 December 2024 (LBP22.6billion as 31 December 2023).

The movement of allowance for expected credit losses during 2024 and 2023 is summarized under Note 54.

10. LOANS AND ADVANCES TO RELATED PARTIES

	31 December 2024		
	Gross Amount LBP million	Expected Credit Loss LBP million	Carrying Amount LBP million
Performing loans:			
Retail	509,151	-	509,151
Corporate and SME	737,919	-	737,919
Credit Impaired loans:			
Corporate and SME	354,684	(201)	354,483
Accrued interest receivable	9,406	-	9,406
	1,611,160	(201)	1,610,959

	31 December 2023		
	Gross Amount LBP million	Expected Credit Loss LBP million	Carrying Amount LBP million
Performing loans:			
Retail	134,743	(5)	134,738
Corporate and SME	134,409	-	134,409
Credit Impaired loans:			
Corporate and SME	62,528	(12,874)	49,654
Accrued interest receivable	836	-	836
	332,516	(12,879)	319,637

Loans and advances to related parties are partially covered by collaterals (Refer to Note 48).

11. INVESTMENT SECURITIES

	31 December	
	2024 LBP million	2023 LBP million
Unquoted equity securities at fair value through other comprehensive income	40,693	24,893
	40,693	24,893
Investment securities at amortized cost	68,352,429	12,589,404
Accrued interest receivable, net of tax	401,396	105,424
Allowance for expected credit losses – Note 54	(1,987,381)	(359,762)
	66,766,444	12,335,066
	66,807,137	12,359,959

11. INVESTMENT SECURITIES (Continued)

Investment securities at amortized cost

	31 December 2024			
	Amortized Cost	Accrued Interest Receivable	Expected Credit Loss	Net Carrying Amount
	LBP million	LBP million	LBP million	LBP million
Lebanese treasury bills	569,174	10,699	-	579,873
Lebanese government bonds	1,939,219	-	(1,493,280)	445,939
Foreign government bonds	12,606,449	-	(54)	12,606,395
Certificates of deposit issued by Central Bank of Lebanon	26,040,363	166,956	(477,410)	25,729,909
Certificates of deposit issued by financial private sector	4,766,033	81,739	(1,158)	4,846,614
Bonds issued by financial private sector	22,431,191	142,002	(15,479)	22,557,714
	68,352,429	401,396	(1,987,381)	66,766,444

	31 December 2023			
	Amortized Cost	Accrued Interest Receivable	Expected Credit Loss	Net Carrying Amount
	LBP million	LBP million	LBP million	LBP million
Lebanese treasury bills	1,217,298	7,138	-	1,224,436
Lebanese government bonds	354,228	-	(275,770)	78,458
Foreign government bonds	740,480	-	(15)	740,465
Certificates of deposit issued by Central Bank of Lebanon	5,155,908	64,237	(79,920)	5,140,225
Certificates of deposit issued by financial private sector	1,334,700	10,299	-	1,344,999
Bonds issued by financial private sector	3,786,790	23,750	(4,057)	3,806,483
	12,589,404	105,424	(359,762)	12,335,066

During 2023, the Group's business model for debt securities was amended as a result of the credit deterioration of the Lebanese sovereign debt securities caused by the continuing Lebanese financial crisis as described in Note 1. As a result, the Group reclassified most of its portfolio of Lebanese Government bonds (Eurobonds) denominated in foreign currency with total nominal value of LBP15,308billion from amortized cost to investment securities at fair value through profit or loss. The difference between the net carrying value of the reclassified debt securities and the fair value resulted of a loss of LBP2,951billion recognized in the consolidated statement of profit or loss in 2023 (Note 37).

During 2024, the Group entered into several sales transactions of debt securities at amortized cost that resulted in loss of LBP17billion in 2024 (gain of LBP817million in 2023), recognized in the consolidated statement of profit or loss.

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.

As 31 December 2024, Lebanese treasury bills amounting to LBP204.7billion (LBP232.9billion as at 31 December 2023) are pledged against borrowing with Central Bank of Lebanon (Note 22).

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.

	31 December 2024	31 December 2023
	LBP million	LBP million
Customers' liability under acceptance	246,222	88,105
Allowance for expected credit losses – Note 54	(1,663)	(109)
	244,559	87,996

13. INVESTMENTS IN ASSOCIATES

Investments in associates as at 31 December 2024 and 2023 consists of 20% equity stake in the share capital of Sudanese French Bank and 33% equity stake in the share capital of Beirut exchange S.A.L. ("BE"). The movement of the investment balance during 2024 and 2023 is as follows:

	2024	2023
	LBP million	LBP million
Balance at 1 January	267,341	60,665
Share in net profit of BE – Note 38	14,586	5,102
Difference of exchange	1,258,151	201,574
Balance at 31 December	1,540,078	267,341
Less: Allowance for impairment	(25,459)	(25,459)
Less: Effect of difference of exchange	(1,486,011)	(227,860)
	(1,511,470)	(253,319)
	28,608	14,022

31 December 2024

Total Assets	Total Liabilities	Net Assets	Net Profit	Share in Ownership	Group's share of net Assets	Group's share in Profit
LBP million	LBP million	LBP million	LBP million	%	LBP million	LBP million
86,773	939	85,834	43.763	33.33	28,608	14,586

31 December 2023

Total Assets	Total Liabilities	Net Assets	Net Profit	Share in Ownership	Group's share of net Assets	Group's share in Profit
LBP million	LBP million	LBP million	LBP million	%	LBP million	LBP million
45,205	3.135	42,070	15,307	33.33	14,022	5.102

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 million
Gross Amount:	
Balance at 1 January 2023	62,543
Additions	89,233
Disposals	(370)
Balance at 31 December 2023	151,406
Additions	482,209
Effect of exchange rate changes	416,243
Balance at 31 December 2024	1,049,858
Allowance for impairment:	
Balance at 31 December 2024 and 2023	(920)
Carrying Amount:	
Balance at 31 December 2024	1,048,938
Balance at 31 December 2023	150,486

During 2023, the Group sold assets acquired in satisfaction of loans with an aggregate cost of LBP370million, which resulted in a gain in the amount of LBP348million reflected in the consolidated statement of profit or loss under "Other operating income/(loss) (net)" (Note 38).

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 20 July 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 20 July 2018, the regulatory reserve of all assets acquired in satisfaction of loans where the 2 years grace period for disposal elapses on or after 20 July 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 LBP2.33billion was appropriated in 2024 (LBP1.8billion in 2023). An amount of LBP366million was transferred during 2023 to retained earnings upon the sale of the related foreclosed assets (Note 29).

15. ASSETS HELD FOR SALE

In July 2023, the Group reclassified the assets owned by Medawar 247 S.A.L. and Medawar 1216 S.A.L. from property and equipment to assets held for sale following a resolution by the Board of directors to sell the land, consisting primarily of plots in Medawar areas, owned by these subsidiaries for USD38million (LBP570billion). These properties were originally acquired for the Bank's expansion.

In November 2024, a sale agreement was executed for a total consideration of USD38million of which USD28.5million was collected during the year. The remaining balance of USD9.5million (LBP850.25billion) was outstanding as at 31 December 2024 and is presented as receivable from disposal of assets held for sale under "Other assets" (Note 19).

16. PROPERTY AND EQUIPMENT

	Buildings and Real Estate	Furniture	Equipment	Vehicles	Installations and Improvement	Advance Payments on Capital Expenditure	Total
	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million
Gross Amount:							
Balance at 1 January 2024	8,786,606	151,924	226,958	2,529	172,304	20,112	9,360,433
Revaluation surplus	3,992,087	-	-	-	-	-	3,992,087
Additions	16,734	88,126	83,584	-	134,427	126,397	449,268
Disposals			(109)		(3,730)		(3,839)
Transfers between categories	-	15,002	16,409	-	44,145	(75,556)	-
Reclassification from investment Properties – Note 19	125,346	-	-	-	-	-	125,346
Write off to general and administrative expenses	-	-	-	-	-	(41,791)	(41,791)
Effect of exchange rate changes	4,936,414	413,043	796,278	7,353	201,812	1,070	6,355,970
Balance at 31 December 2024	17,857,187	668,095	1,123,120	9,882	548,958	30,232	20,237,474
Accumulated depreciation:							
Balance at January 1, 2024	(164,530)	(119,610)	(194,751)	(1,727)	(123,989)	-	(604,607)
Charge for the year – Note 43	(358,535)	(14,330)	(97,788)	(85)	(21,471)	-	(492,209)
Adjustment related to revaluation	(4,657,423)	-	-	-	-	-	(4,657,423)
Disposals	-	-	109	-	3,727	-	3,836
Reclassification from investment properties – Note 19	(45,860)	-	-	-	-	-	(45,860)
Effect of exchange rate changes	(678,099)	(448,992)	(608,000)	(7,354)	(242,820)	-	(1,985,265)
Balance at 31 December 2024	(5,904,447)	(582,932)	(900,430)	(9,166)	(384,553)	-	(7,781,528)
Impairment allowance:							
Balance at 31 December 2024	(300)	-	-	-	-	-	(300)
Carrying amount:							
31 December 2024	11,952,440	85,163	222,689	716	164,405	30,233	12,455,646

16. PROPERTY AND EQUIPMENT (Continued)

	Buildings and Real Estate LBP million	Furniture LBP million	Equipment LBP million	Vehicles LBP million	Installations and Improvement LBP million	Advance Payments on Capital Expenditure LBP million	Total LBP million
Gross Amount:							
Balance at 1 January 2023	304,186	47,712	71,433	524	92,665	20,681	537,201
Additions	1,615	5,635	4,619	750	2,808	24,664	40,091
Revaluation	7,614,980	-	-	-	-	-	7,614,980
Disposals	(36,157)	(359)	-	(41)	(10,713)	-	(47,270)
Transfers between categories	-	-	1,663	-		(1,663)	-
Transfers from investment properties – Note 19	54,094	-	-	-	-	-	54,094
Transfers to assets held for sale	(78,612)	-	-	-	-	-	(78,612)
Write off to general and administrative expenses	-	-	-	-	-	(15,195)	(15,195)
Effect of exchange rate changes	926,500	98,936	149,243	1,296	87,544	(8,375)	1,255,144
Balance at 31 December 2023	8,786,606	151,924	226,958	2,529	172,304	20,112	9,360,433
Accumulated depreciation:							
Balance at 1 January 2023	(47,844)	(36,111)	(64,896)	(411)	(81,927)	-	(231,189)
Charge for the year – Note 43	(19,483)	(1,305)	(15,181)	(73)	(10,410)	-	(46,452)
Disposals	36,157	276	-	1	10,713	-	47,147
Effect of exchange rate changes	(133,360)	(82,470)	(114,674)	(1,244)	(42,365)	-	(374,113)
Balance at 31 December 2023	(164,530)	(119,610)	(194,751)	(1,727)	(123,989)	-	(604,607)
Impairment allowance:							
Balance at 31 December 2023	(300)	-	-	-	-	-	(300)
Carrying amount:							
31 December 2023	8,621,776	32,313	32,207	802	48,315	20,112	8,755,525

16. PROPERTY AND EQUIPMENT (Continued)

In 2023, pursuant to a resolution by the Board of Directors, the Bank engaged an independent expert to revalue its lands and buildings in accordance with Article 30 of Budget Law No. 10, dated 15 November 2022 (Budget Law 2022). The appraised value amounted to USD89.43million (LBP7,709billion), resulting in a revaluation surplus of USD88.34million (LBP7,615billion) converted at the rate of LBP86,200. This surplus was recorded under other comprehensive income, net of a 5% tax, amounting to LBP381billion.

In 2024, following the approval of the Central Bank of Lebanon (BDL), the Bank revised its previously recorded revaluation surplus. The approved revalued amount was set at USD78.7million, converted at the BDL platform rate of LBP 89,500 as of 31 December 2024, resulting in a revised revaluation amount of LBP7,044billion. Consequently, a revaluation adjustment of LBP665billion was recognized in other comprehensive income.

In addition, and in accordance with Law No. 330 dated 4 December 2024, the Bank adjusted the gross carrying amount and accumulated depreciation of "Buildings and Real Estate" using the multiplier basis, resulting in an adjustment of LBP4,658billion.

The valuation of the Bank's real estate properties has been performed by real estate experts accredited by the Central Bank of Lebanon. The fair value of those real estate properties was determined using the market comparable method based on prices of transactions for properties of similar nature, location and condition.

17. GOODWILL

	31 December 2024			31 December 2023		
	LBP	C/V of F/Cy	Total	LBP	C/V of F/Cy	Total
	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million
Beirut Life S.A.L.	452	-	452	452	-	452
Bank of Sydney Ltd	-	-	-	-	86,582	86,582
	452	-	452	452	86,582	87,034

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 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.

18. RIGHT-OF-USE ASSETS / LEASE LIABILITY

The Group 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 Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options.

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

Since 2020 and due to the events occurring in Lebanon as described in Note 1, the Group has closed several branches and cancelled the related lease agreements. This has led to the write-off of right-of-use assets and derecognition of lease liabilities.

The movement of the Group's right-of-use assets and lease liabilities is summarized as follows:

	Right-of-use Assets LBP million	Lease Liabilities LBP million
Balance at 1 January 2023	16,194	18,441
Additions	23,285	25,336
Depreciation expense – Note 43	(15,641)	-
Cancellation of lease contracts	(10,472)	(10,919)
Interest expense – Note 42	-	4,913
Payments of lease liabilities	-	(19,089)
Effect of exchange rate changes	49,412	85,688
Balance at 31 December 2023	62,778	104,370
Additions	167,622	148,724
Remeasurement	271,277	218,205
Depreciation expense – Note 43	(125,535)	-
Cancellation of lease contracts	(51)	(486)
Interest expense – Note 42	-	41,265
Payments of lease liabilities	-	(165,931)
Effect of exchange rate changes	186,644	208,380
Balance at 31 December 2024	562,735	554,527

19. OTHER ASSETS

	31 December 2024 LBP million	31 December 2023 LBP million
Medical costs receivable from the National Social security Fund (a)	20,323	12,874
Regulatory blocked deposit (b)	4,500	4,500
Investment properties (c)	597,312	127,167
Intangible assets (d)	689,463	138,566
Fair value of forward contracts	3,909	811
Prepayments	684,800	108,291
Foreign exchange position receivables	3,294	9,556
Sundry accounts receivable	1,231,209	195,856
Receivable from disposal of assets held for sale – Note 15	850,250	-
Deferred tax assets	229,158	38,208
Other	77,865	9,914
	4,392,083	645,743
Allowance for expected credit losses – Note 54	(340,524)	(51,102)
	4,051,559	594,641

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

b) 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.

c) The movement of investment properties during 2024 and 2023 is summarized as follows:

	LBP million
Balance at 1 January 2023	19,679
Depreciation expense – Note 43	(4,596)
Transfer to property and equipment – Note 16	(54,094)
Effect of exchange rate changes	166,178
Balance at 31 December 2023	127,167
Depreciation expense – Note 43	(20,392)
Reclassification to property and equipment – Note 16	(125,346)
Reclassification to accumulated depreciation of property and equipment – Note 16	45,860
Effect of exchange rate changes	570,023
Balance at 31 December 2024	597,312

19. OTHER ASSETS (Continued)

d) The movement of intangible assets is summarized as follows:

	Software	Key Money	Total
	LBP million	LBP million	LBP million
Cost:			
Balance, 1 January 2023	35,373	1,658	37,031
Additions	23,921	-	23,921
Effect of exchange rate changes	244,667	-	244,667
Balance, 31 December 2023	303,961	1,658	305,619
Additions	319,604	-	319,604
Effect of exchange rate changes	1,147,552	-	1,147,552
Balance, 31 December 2024	1,771,117	1,658	1,772,775
Accumulated Amortization:			
Balance, 1 January 2023	(18,657)	-	(18,657)
Amortization for the year - Note 43	(34,601)	-	(34,601)
Effect of exchange rate changes	(100,491)	-	(100,491)
Balance, 31 December 2023	(153,749)	-	(153,749)
Amortization for the year - Note 43	(217,551)	-	(217,551)
Effect of exchange rate changes	(571,550)	-	(571,550)
Balance, 31 December 2024	(942,850)	-	(942,850)
Impairment allowance:			
Balance, 1 January 2023	-	(1,658)	(1,658)
Additions - Note 40	(11,646)	-	(11,646)
Balance, 31 December 2023	(11,646)	(1,658)	(13,304)
Additions - Note 40	(127,158)	-	(127,158)
Balance, 31 December 2024	(138,804)	(1,658)	(140,462)
Net Book Value:			
Balance, 31 December 2024	689,463	-	689,463
Balance, 31 December 2023	138,566	-	138,566

20. DEPOSITS FROM BANKS AND FINANCIAL INSTITUTIONS

	31 December	
	2024	2023
	LBP million	LBP million
Current accounts	22,689,674	3,275,303
Current accounts - associate bank – Note 48	615	981
Short term deposits	16,008,502	1,916,109
Accrued interest payable	68,429	8,089
	38,767,220	5,200,482

21. DEPOSITS FROM CUSTOMERS AND RELATED PARTIES

	31 December 2024		
	LBP	F/Cy	Total
	LBP million	LBP million	LBP million
Deposits from customers:			
Current and demand deposits	4,135,301	170,893,809	175,029,110
Term deposits	760,245	415,094,527	415,854,772
Credit accounts against loans and advances	60,997	3,444,454	3,505,451
Margins for irrevocable import letters of credit	-	590,043	590,043
Margins on letters of guarantee	23,069	1,860,109	1,883,178
Other margins	28,190	22,017,781	22,045,971
	5,007,802	613,900,723	618,908,525
Accrued interest payable	17,348	2,218,271	2,235,619
Total customers' deposits	5,025,150	616,118,994	621,144,144
Deposits from related parties:			
Current and demand deposits	4,200	4,557,331	4,561,531
Term deposits	911	3,932,257	3,933,168
Credit accounts against loans and advances	11	1,206	1,217
Margins on letters of guarantee	7	1,302	1,309
Other margins	-	18,856	18,856
	5,129	8,510,952	8,516,081
Accrued interest payable	71	10,529	10,600
Total related parties' deposits	5,200	8,521,481	8,526,681
Total deposits	5,030,350	624,640,475	629,670,825

	31 December 2023		
	LBP	F/Cy	Total
	LBP million	LBP million	LBP million
Deposits from customers:			
Current and demand deposits	2,350,446	31,382,253	33,732,699
Term deposits	1,307,574	69,038,791	70,346,365
Credit accounts against loans and advances	75,648	790,976	866,624
Margins for irrevocable import letters of credit	-	104,470	104,470
Margins on letters of guarantee	19,885	196,715	216,600
Other margins	14,146	143,226	157,372
	3,767,699	101,656,431	105,424,130
Accrued interest payable	19,816	288,840	308,656
Total customers' deposits	3,787,515	101,945,271	105,732,786
Deposits from related parties:			
Current and demand deposits	4,447	557,154	561,601
Term deposits	503	864,248	864,751
Credit accounts against loans and advances	11	1,005	1,016
Margins on letters of guarantee	6	218	224
Other margins	-	3,146	3,146
	4,967	1,425,771	1,430,738
Accrued interest payable	7	7,767	7,774
Total related parties' deposits	4,974	1,433,538	1,438,512
Total deposits	3,792,489	103,378,809	107,171,298

22. OTHER BORROWINGS

	31 December 2024 LBP million	31 December 2023 LBP million
Borrowings from Central Bank of Lebanon (a)	57,991	158,682
Borrowings from Reserve Bank of Australia (b)	-	1,938,224
Leverage arrangements with Central Bank of Lebanon – Note 5	204,736	232,931
Borrowings from other central banks	276,396	46,372
	539,123	2,376,209
Accrued interest payable	6,614	7,874
	545,737	2,384,083

(a) Borrowings from Central Bank of Lebanon as at 31 December 2024 and 2023 represent facilities in accordance with Central Bank of Lebanon Basic Decision No.6116 of 7 March 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) In the previous years, in response to the Covid-19 pandemic and to stimulate the economy, the Reserve Bank of Australia ('RBA') provided Authorized Deposit-taking Institutions ("ADI's") access to the Term Funding Facility ("TFF"), a low cost funding facility with a 3 year term. There were no terms and conditions associated with the TFF, other than the pledging of securities the RBA eligibility criteria, as collateral. The Group accesses this funding by entering into repurchase agreements with the RBA through its banking subsidiary in Australia "Bank of Beirut Sydney LTD".

As at 31 December 2023, the Group has drawn down LBP1,938billion (AUD189million). The Group retains risks and rewards of the above-mentioned pledged securities, and therefore does not derecognize these assets. During the year ended 31 December 2024, the Group repaid the facility of the TFF in full.

The movement of other borrowings is detailed as follows:

	2024 LBP million	2023 LBP million
Balance at 1 January	2,376,209	922,211
Settlements	(2,090,847)	(365,555)
Effect of exchange rate changes	253,761	1,819,553
Balance at 31 December	539,123	2,376,209

23. CERTIFICATES OF DEPOSIT

	31 December 2024 C/V of F/Cy LBP million	2024 Average Interest Rate %	2023 C/V of F/Cy LBP million	2023 Average Interest Rate %
Certificates of deposit	33,826	4.25	6,641	4.5
Accrued interest payable	319		66	
	34,145		6,707	

24. OTHER LIABILITIES

	31 December 2024 LBP million	31 December 2023 LBP million
Checks and incoming payment orders in course of settlement	1,614,217	150,265
Bankers' drafts (a)	2,728,818	-
Fair value of derivative financial liabilities (b)	1,039,013	610
Deferred tax liability (c)	480,795	86,505
Accrued expenses	689,262	175,478
Deferred income	226,052	34,045
Income tax payable (d)	2,360,715	141,163
Withheld taxes	1,122	27,177
Margins on letters of credit - banks	-	181,503
Margins on letters of guarantee - banks	-	16,591
Sundry accounts payable	1,704,553	345,008
Payment service obligations	1,140,652	137,824
	11,985,199	1,296,169

(a) Bankers' drafts as at 31 December 2024 represent checks paid to depositors that have not yet been withdrawn from the Central Bank of Lebanon or other Lebanese banks.

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

	31 December 2024 LBP million	31 December 2023 LBP million
Interest rate swap – Note 46	53	108
Forward contracts	1,038,960	502
	1,039,013	610

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.

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

	31 December 2024 LBP million	31 December 2023 LBP million
Deferred tax liability on undistributed profits from subsidiaries	358,181	73,085
Other deferred tax liability	122,614	13,420
	480,795	86,505

24. OTHER LIABILITIES (Continued)

The movement of deferred tax liability which relates to undistributed profits from subsidiaries during 2024 and 2023 was as follows:

	2024 LBP million	2023 LBP million
Balance at 1 January	73,084	10,715
Additions	285,097	62,369
Balance at 31 December	358,181	73,084

At 31 December 2024 and 2023, 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.

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

	2024 LBP million	2023 LBP million
Profit/(loss) before income tax	2,917,151	(374,441)
Less: Profit related to subsidiaries, and foreign branches	(18,090)	(7,542)
	2,899,061	(381,983)
Add: Non-deductible expenses	15,355,079	1,008,592
Less: Non-taxable revenues or revenues subject to tax in previous periods	(5,170,327)	(9,162,253)
	13,083,813	(8,535,644)
Carried forward balance from prior years	(1,815,540)	-
Taxable income - Bank of Beirut SAL	11,268,273	(8,535,644)
Income tax (17%)	1,915,606	-
Add: Income tax expense on subsidiaries and foreign branches	448,139	163,864
Corporate income tax expense for the year	2,363,745	163,864
Carried forward balance from prior year	-	10,032
Less: Subsidiaries and foreign branches income tax paid	(3,030)	(32,733)
Income tax payable as at December 31,	2,360,715	141,163

The tax assessment for the bank have been finalized up to the year 2017. The tax returns of the Bank and most of its Lebanese subsidiaries for the years 2018 to 2024 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 have been finalized up to the year 2020. Tax assessments for the years 2021 to 2024 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 Bank's results and financial position as of reporting date.

25. PROVISIONS

	31 December 2024 LBP million	31 December 2023 LBP million
Provision for staff and executive management termination indemnity (a)	1,482,009	210,425
Provision for risks and charges (b)	6,075,302	50,901
Provision for loss on foreign currency position	194	194
Provision for insurance contracts liabilities	999,142	189,410
Provision for expected credit losses on off-balance sheet commitments – Note 54	295,323	56,733
	8,851,970	507,663

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

	2024 LBP million	2023 LBP million
Balance at 1 January	210,425	60,999
Additions (net) – Note 41	1,076,912	113,988
Settlements	(102,719)	(1,035)
Effect of exchange rate changes	297,391	36,473
Balance at 31 December	1,482,009	210,425

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

	2024 LBP million	2023 LBP million
Balance at 1 January	50,901	12,851
Additions – Note 40	5,846,121	49,495
Transfers to investment securities	-	(66,000)
Difference of exchange	178,280	54,555
Balance at 31 December	6,075,302	50,901

26. SHARE CAPITAL

The authorized ordinary share capital of Bank of Beirut S.A.L. is equal to LBP89.06billion consisting of 60,996,900 fully paid shares of LBP1,460 par value each as at 31 December 2024 and 2023.

At 31 December 2019 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 2020, the Group transferred the 4,762,000 Series 2014 priority shares to common shares at par value of LBP1,460 as further explained below.

As at 31 December 2019, the Group had 4,762,000 Series 2014 priority 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.

26. SHARE CAPITAL (Continued)

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").

On 16 December 2020, the Bank's Extraordinary General Assembly resolved that the Series 2014 Priority Shares ceased to be identified as a special class within the Common Shares of the Bank and became mere Common Shares subject to the rights and obligations devolving on all the Bank's Common Shares.

27. PREFERRED SHARES

	December 31,	
	2024	2023
	LBP million	LBP million
Non-cumulative perpetual redeemable Series "G" preferred shares	188,362	188,362
Non-cumulative perpetual redeemable Series "H" preferred shares	203,513	203,513
Non-cumulative perpetual redeemable Series "I" preferred shares	188,437	188,437
Non-cumulative perpetual redeemable Series "J" preferred shares	113,063	113,063
Non-cumulative perpetual redeemable Series "K" preferred shares	150,750	150,750
	844,125	844,125

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	7.00% per year	Yes
Series "I"	5,000,000	USD 25	6.75% per year	Yes
Series "J"	3,000,000	USD 25	6.50% per year	Yes
Series "K"	4,000,000	USD 25	6.50% 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 shares.

28. SHAREHOLDERS' CASH CONTRIBUTION TO CAPITAL

The shareholders' cash contribution to capital is stated at LBP1,403billion (USD79,640,573 at LBP15,000 and USD138,429,908 at LBP1,507.5) as at 31 December 2024 and 2023, out of which LBP20.98billion is non-interest bearing while the remaining LBP1,382billion carries interest at the rate ranging between 5% and 8% per annum subject to certain conditions.

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.

To meet the requirements of Central Bank of Lebanon towards increasing common equity Tier I as at 31 December 2018 by 20% in foreign currencies by 31 December 2020 that was later extended to 28 February 2021, the Bank's Extraordinary General Assembly of shareholders held on 16 December 2020 called for additional cash contribution from shareholders in the amount of USD 203.5 million.

On 11 March 2021, the Bank obtained the preliminary approval of the Central Bank of Lebanon on the cash contribution contracts signed with certain shareholders, and the exceptional approval to constitute 50% of the 20% cash contribution required above, through transfer of real estate by the shareholders subject to certain conditions. In this respect, the Bank transferred LBP187.7billion (USD124,513,908) from the escrow account to cash contribution to capital under equity. The preliminary approval on the cash contribution contracts signed with certain shareholders became final on 14 June 2022. As for the remaining amount of the cash contribution to capital, it was transferred during January 2023 for the amount of LBP1,195billion (USD79,639,085), along with the final approval of the Central bank of Lebanon dated 9 June 2023.

29. RESERVES

	December 31,	
	2024	2023
	LBP million	LBP million
Legal reserves (a)	266,315	223,450
Special reserves setup from net release of provision for credit losses	1,465	1,487
Reserves restricted for capital increase	40,561	40,561
Issue premiums on common shares	385,506	385,506
Non-distributable general reserves	302,922	298,381
Real estate property revaluation surplus – Note 16	6,569,177	7,235,963
Regulatory reserve for assets acquired in satisfaction of loans – Note 14	17,107	14,776
	7,583,053	8,200,124

(a) The legal reserve is constituted in conformity with the requirements of the Lebanese Money and Credit Law and the Code of Commerce on the basis of 10% of net profit for Lebanese entities. This reserve is not available for distribution. During 2024, the Group allocated LBP42.87billion to legal reserves (LBP4.8million during 2023).

30. 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,	
	2024	2023
	USD	USD
Common shares	3,628,037	3,628,037
C/V LBP million	5,469	5,469

31. NON-CONTROLLING INTERESTS

	December 31,	
	2024	2023
	LBP million	LBP million
Share in:		
Capital	383	383
Retained earnings	32,752	2,664
Profit for the year	25,922	17,176
	59,057	20,223

32. DIVIDENDS PAID

There was no dividends distribution during the years 2024 and 2023.

33. INTEREST INCOME

	2024		
	Interest Income	Withheld Tax	Net Interest Income
	LBP million	LBP million	LBP million
Interest income from:			
Deposits with central banks	3,995,477	(249,342)	3,746,135
Deposits with banks and financial institutions	2,884,248	-	2,884,248
Loans to banks	176,728	-	176,728
Investment securities at amortized cost	2,570,889	(35,191)	2,535,698
Loans and advances to customers	10,134,349	-	10,134,349
Loans and advances to related parties	19,322	-	19,322
	19,781,013	(284,533)	19,496,480

33. INTEREST INCOME (Continued)

	2023		
	Interest Income LBP million	Withheld Tax LBP million	Net Interest Income LBP million
Interest income from:			
Deposits with central banks	1,144,041	(100,303)	1,043,738
Deposits with banks and financial institutions	434,888	-	434,888
Loans to banks	29,016	-	29,016
Investment securities at amortized cost	534,085	(22,658)	511,427
Loans and advances to customers	1,590,607	-	1,590,607
Loans and advances to related parties	8,329	-	8,329
	3,740,966	(122,961)	3,618,005

34. INTEREST EXPENSE

	2024 LBP million	2023 LBP million
Interest expense on:		
Deposits from banks and financial institutions	530,829	36,337
Deposits from customers	8,378,035	876,174
Deposits from related parties	32,697	25,233
Other borrowings	4,819	2,912
Certificates of deposit	1,735	220
	8,948,115	940,876

35. FEE AND COMMISSION INCOME

	2024 LBP million	2023 LBP million
Commissions on documentary credits	522,649	85,151
Commissions on letters of guarantee	380,455	85,750
Commissions on money transfers' transactions	1,196,987	241,791
Insurance brokerage and service fees	362,062	66,975
Commissions on banking services	2,357,923	719,667
Commissions on credit cards	283,446	77,659
Other	998,534	316,851
	6,102,056	1,593,844

36. FEE AND COMMISSION EXPENSE

	2024 LBP million	2023 LBP million
Commissions on transactions with banks and financial institutions	50,574	8,368
Commissions on credit cards	79,927	22,847
Commissions on electronic banking	161,079	-
Commissions on mortgage brokers	220,011	98
Commissions on money transfers transactions	212,207	29,940
Commissions on insurance transactions	15,466	4,414
Commissions on cash deposits	40,141	52,634
Other	369,514	49,101
	1,148,919	167,402

37. NET GAIN/(LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 LBP million	2023 LBP million
Interest income, net of tax	92,383	23,447
Unrealized gain/(loss) (net)	5,990,109	(2,951,430)
Realized gain on sale	73	91
Dividends received	1,998	292
	6,084,563	(2,927,600)

38. OTHER OPERATING INCOME (NET)

	2024 LBP million	2023 LBP million
Share in profits of associates – Note 13	14,586	5,102
Net foreign exchange gain	4,693,643	749,802
(Loss)/gain on forward contracts	(3,701)	1,071
Gain on sale of assets acquired in satisfaction of loans – Note 14	-	348
Gain on sale of property and equipment	-	154
Dividend income on other investments	1,099	181
Other (net)	20,136	199,283
	4,725,763	955,941

39. ALLOWANCES FOR EXPECTED CREDIT LOSSES (NET)

	2024 LBP million	2023 LBP million
Allowances for expected credit losses – Note 54	6,385,244	88,783
Loss from direct write-off of loans and advances	11,983	20,205
	6,397,227	108,988

40. OTHER PROVISIONS (NET)

	2024 LBP million	2023 LBP million
Write-back of provision for insurance liabilities	(6,435)	16,618
Provision for risks and charges – Note 25	5,846,121	49,495
Provision for impairment of intangible assets – Note 19	127,158	11,646
(Write-back)/provisions and impairment	(18,133)	16,330
	5,948,711	94,089

41. STAFF COSTS

	2024 LBP million	2023 LBP million
Salaries	3,219,624	821,776
Social security contributions	403,823	91,630
Executive board members remunerations	56,791	12,104
Provision for staff and executive management termination indemnities – Note 25	1,076,912	113,988
Other staff benefits	780,490	258,970
	5,537,640	1,298,468

42. GENERAL AND ADMINISTRATIVE EXPENSES

	2024 LBP million	2023 LBP million
Management fees	353,780	48,704
Cleaning	83,895	15,305
Telephone, mail and other communication expenses	190,292	41,738
Office supplies	156,721	10,121
Advertising and marketing expenses	270,952	51,906
Electricity and fuel	239,083	66,958
Maintenance and repair fees	798,244	114,462
Subscription fees	122,333	14,557
Donation and gifts	44,765	8,251
Reception and entertainment	55,723	17,902
Professional and regulatory fees	489,999	102,803
Rent expense	120,989	26,088
Insurance expenses	86,273	12,565
Travel and related expenses	83,414	13,829
Training and research	62,842	8,141
Taxes and fiscal charges	191,223	75,391
Miscellaneous expenses	1,246,695	270,701
Finance cost on lease liability – Note 18	41,265	4,913
	4,638,488	904,335

43. DEPRECIATION AND AMORTIZATION

	2024 LBP million	2023 LBP million
Depreciation of property and equipment –Note 16	492,209	46,452
Amortization of intangible assets – Note 19 (d)	217,551	34,601
Depreciation of right-of-use assets – Note 18	125,535	15,641
Depreciation of investment properties – Note 19 (c)	20,392	4,596
	855,687	101,290

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

The consolidated net profit/(loss) for the years ended 31 December 2024 and 2023 are allocated as follows:

	2024		
	Net Profit before Tax LBP million	Current and Deferred Tax LBP million	Net Profit LBP million
Bank of Beirut S.A.L.	2,899,061	(2,076,082)	822,979
Profit of subsidiaries:			
Bank of Beirut UK LTD	1,483,611	(376,068)	1,107,543
Bank of Sydney Ltd	121,119	(41,033)	80,086
Bank of Beirut Invest S.A.L.	1,055,322	-	1,055,322
BOB Finance S.A.L.	1,492,849	(28,472)	1,464,377
Cofida Holding S.A.L.	(1,241,219)	(50)	(1,241,269)
Beirut Broker Company S.A.L	99,413	(1,444)	97,969
Beirut Life S.A.L.	260,292	(1,072)	259,220
	6,170,448	(2,524,221)	3,646,227
Consolidation eliminations and adjustments	(3,253,297)	(285,097)	(3,538,394)
	2,917,151	(2,809,318)	107,833

	2023		
	Net loss Before Tax LBP million	Current and Deferred Tax LBP million	Net Loss LBP million
Bank of Beirut S.A.L.	(302,385)	(79,598)	(381,983)
Profit of subsidiaries:			
Bank of Beirut UK LTD	202,931	(49,071)	153,860
Bank of Sydney Ltd	82,864	(25,002)	57,862
Bank of Beirut Invest S.A.L.	98,226	-	98,226
BOB Finance S.A.L.	213,200	(7,780)	205,420
Cofida Holding S.A.L.	178,559	(50)	178,509
Beirut Broker Company S.A.L	167,322	(1,863)	165,459
Beirut Life S.A.L.	172,265	(500)	171,765
	812,982	(163,864)	649,118
Consolidation eliminations and adjustments	(1,187,423)	(62,369)	(1,249,792)
	(374,441)	(226,233)	(600,674)

45. EARNINGS/(LOSSES) PER SHARE

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

	2024 LBP million	2023 LBP million
Earnings/(losses):		
Profit/(loss) for the year attributable to equity holders of the Bank	81,911	(617,850)
Number of Shares:		
Weighted average number of ordinary shares	60,813,819	60,813,819
Basic losses per common share	LBP 1,347	LBP (10,160)
Diluted losses per share	LBP 1,347	LBP (10,160)

46. 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 31 December 2024 and 2023 represent positions held for customers' accounts and at their risk. The Group entered into such instruments to serve the needs of customers, and these contracts are fully hedged by the Group.

As at 31 December 2024 and 2023, the Group had an interest rate swap outstanding to hedge cash flows detailed as follows:

	31 December			
	2024		2023	
	Original Currency AUD	C/V LBP million	Original Currency AUD	C/V LBP million
Principal amount	7,700,000	430,030	7,700,000	79,025
Fair value - Note 24	957	53	10,487	108

47. FIDUCIARY ACCOUNTS

Fiduciary accounts are invested as follows:

	31 December	
	2024	2023
	LBP million	LBP million
Back-to-back lending	1,408,872	219,333
Equity securities (long position)	16,140,964	2,025,726
Debt leverage	668,802	13,090
	18,218,638	2,258,149

48. 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:

	31 December	
	2024	2023
	LBP million	LBP million
Shareholders, directors, and other key management personnel and close family members and their related companies:		
Direct facilities and credit balances:		
Loans and advances	1,601,553	318,801
Accrued interest receivable	9,406	836
Deposits	(8,516,081)	(1,430,738)
Accrued interest payable	(10,600)	(7,774)
Indirect facilities:		
Letters of guarantee	649	277
Associates		
Direct facilities and credit balances:		
Deposits from an associate - Note 20	(615)	(981)

49. 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:

	31 December 2024	31 December 2023
	LBP million	LBP million
Cash on hand	4,120,478	1,244,477
Current accounts with central banks	146,872,235	24,313,968
Time deposits with central banks	71,707,400	9,768,000
Checks in course of collection	101,752	10,736
Current accounts with banks and financial institutions	26,127,398	3,643,995
Term placements with banks and financial institutions	17,623,879	1,034,613
Current accounts from banks and financial institutions	(22,690,288)	(3,276,284)
Short term deposits from banks and financial institutions	(3,823,634)	(1,838,910)
	240,039,220	34,900,595

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.

50. 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, mostly resulting from the restrictive measures adopted by Lebanese banks in relation to withdrawal of funds and transfers abroad, as well as in relation to the repayment by customers of local foreign currency loans in Lebanese pound as described under Note 1.3.4. These lawsuits are pending before the competent courts and the outcome of which cannot be determined at present. Management considers that these lawsuits and litigations will not have material impact on the Group consolidated financial statements, however they may affect negatively the offshore liquidity of the Group, its foreign assets and its foreign currency mismatch.

The Bank, amongst 10 other banks in Lebanon, is defendant in a civil action brought on 1 January 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.

51. COLLATERAL GIVEN

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

	31 December 2024				
		Corresponding Facilities			
	Pledged Amount LBP million	Nature of Facility	Amount of Facility LBP million	Nature of Facility	Amount of Facility LBP million
Pledged deposits with banks	22,658	Performance bonds	125,358	-	-
Pledged deposits with banks	469,602	Foreign currency (Bought)	1,053,018	Foreign currency (Sold)	2,091,978
Pledged deposits with banks	8,480				

	31 December 2023				
		Corresponding Facilities			
	Pledged Amount LBP million	Nature of Facility	Amount of Facility LBP million	Nature of Facility	Amount of Facility LBP million
Pledged deposits with banks	3,797	Performance bonds	21,180	-	-
Pledged deposits with banks	71,708	Foreign currency (Bought)	267,961	Foreign currency (Sold)	268,426
Pledged deposits with banks	1,558				

52. CAPITAL MANAGEMENT

The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) as adopted by the Central Bank of Lebanon, which is the lead supervisor of the Group.

The following are the applicable regulatory capital ratios:

	Common Tier 1 Capital Ratio	Tier 1 Capital Ratio	Total Capital Ratio
As at 31 December 2024			
Minimum required capital ratios	4.50%	6.00%	8.00%
With the full capital conservation buffer of 2.5%	7.00%	8.50%	10.50%
As at 31 December 2023			
Minimum required capital ratios	4.50%	6.00%	8.00%
With the full capital conservation buffer of 2.5%	7.00%	8.50%	10.50%

BDL intermediate circular 689 date 2 February 2024: Capital adequacy ratios may, exceptionally for 2023 and 2024, drop below the Capital Conversion Buffer (+2.5%).

The Central Bank of Lebanon introduced several key changes in the calculation of regulatory capital adequacy ratios. These changes include:

- Increasing the regulatory expected credit loss on Lebanese government bonds in foreign currency from 9.45% to 45% initially and then to 75% (to be reached by 31 December 2026) as per intermediate circulars No.649 dated 24 November 2022 and No.659 dated 20 January 2023 updating the changes introduced by intermediate circular No.567 dated 26 August 2020 and allowing the constitution of the regulatory expected credit loss progressively over a period of five years starting from 2020, noting that the BDL Central Council may accept to extend the term to ten years for banks that manage to complete the 20% cash contribution to capital before December 31, 2020.
  Regulatory ECL for other exposures remain unchanged, i.e. exposures in foreign currency with BDL 1.89%; exposures in Lebanese Pounds with BDL and Lebanese treasury bills in Lebanese Pounds 0%.
- By 28 February 2021 (extended), banks should complete a 20% increase of the common equity tier I capital as at December 31, 2018 through issuing new foreign currency capital instruments as well as other approaches that meet the criteria for inclusion as regulatory capital. The BDL Central Council may consider for banks to complete 50% of this capital increase through transfer of real estate by the shareholders, provided these are liquidated within 5 years following regulatory approval date on this transaction.
- Allowing banks to include 75% of the revaluation surplus of real estate properties in Common Equity Tier I capital instead of 50% in Tier II, subject to BDL approval on the revaluation. The deadline set by the regulator for the revaluation of real estate is December 31, 2023. During the year ended 31 December 2023, the Group revalued its real estate properties in accordance with BDL Intermediate Circular No. 659. The revaluation resulted in a gain of LBP 7,236 billion, which was recognized in other comprehensive income and recorded under revaluation surplus within equity. The revaluation was performed using the Sayrafa exchange rate prevailing at the time of LBP 86,200 per US Dollar.

52. CAPITAL MANAGEMENT (Continued)

During 2024 and following the approval obtained from the Central Bank of Lebanon, the Group adjusted the revaluation surplus to LBP 6,569 billion. The adjustment reflects the final approved amount of the revaluation surplus.

- Full inclusion in Common Equity Tier 1 of positive balance (gains) of foreign currency translation reserve, effective from 2023, as well as 75% of positive changes from instruments at fair value through other comprehensive income.
- Prohibiting Lebanese banks from distributing dividends on common shares for the financial years 2019, 2020, 2021, 2022, 2023 and 2024 as well as prohibiting banks from distributing dividends if capital adequacy ratios drop below 7% for common equity tier 1, 10% for tier 1 and 12% for total capital (compared to the regulatory minimum limits of 7%, 8.5% and 10.5% respectively, including a 2.5% capital conservation buffer).
- As exceptional measures, 100% of ECL on Stage 1 and Stage 2 exposures (except those against sovereign and BDL exposures in local and foreign currency), may be added to common equity Tier I capital. These will be gradually amortized to 75% in 2022, 50% in 2023 and 25% in 2024.

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

	31 December	
	2024	2023
	LBP million	LBP million
Common equity (net)	55,562,055	12,632,850
Additional Tier I capital (net)	2,229,776	2,229,776
	57,791,831	14,862,626
Net Tier II capital	8,202,094	1,446,605
Total regulatory capital (Tier I + Tier II)	65,993,925	16,309,231
Credit risk	656,167,469	139,879,448
Market risk	95,906,874	23,483,303
Operational risk	29,564,808	5,487,079
Risk weighted assets and risk weighted off-balance sheet items	781,639,151	168,849,830
Common equity Tier I ratio	7.11%	7.48%
Tier I ratio	7.39%	8.80%
Risk based capital ratio Tier I and Tier II capital	8.44%	9.66%

The Group's capital adequacy ratio as at 31 December 2024 and 2023, similarly to other applicable regulatory ratios, was calculated based on the disclosed figures, and did not take into consideration the adjustments that will result from the uncertainties discussed under Note 1 once these uncertainties become reasonably quantifiable. Due to the high levels of these uncertainties, management is unable to estimate in a reasonable manner, the impact of these matters on the Group's capital adequacy and the recapitalization needs that may arise once the necessary adjustments are determined and recorded.

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:

	31 December 2024				
	Lebanon & Middle East LBP million	Europe LBP million	Australia LBP million	Inter-segment LBP million	Total LBP million
Total Assets	559,246,765	54,433,486	194,184,004	(59,976,711)	747,887,544
Total Liabilities	485,736,318	39,099,357	175,203,893	(9,383,723)	690,655,845
Total Equity	73,510,447	13,554,423	18,980,111	(48,813,282)	57,231,699
Profit for the year	2,930,553	1,107,543	80,086	(4,036,271)	81,911
ASSETS					
Financial assets at fair value through P/L	14,842,316	-	-	-	14,842,316
Loans and advances to customers	13,262,333	6,810,374	154,820,502	-	174,893,209
Loans and advances to related parties	404,119	204,527	1,002,313	-	1,610,959
Investment securities	32,970,751	6,432,058	27,404,328	-	66,807,137
LIABILITIES					
Deposits from customers	431,558,189	16,533,851	173,052,104	-	621,144,144
Deposits from related parties	5,643,492	2,370,234	583,743	(70,788)	8,526,681

	31 December 2023				
	Lebanon & Middle East LBP million	Europe LBP million	Australia LBP million	Inter-segment LBP million	Total LBP million
Total Assets	105,765,830	7,059,306	31,994,072	(11,637,313)	133,181,895
Total Liabilities	86,001,773	4,540,507	28,520,170	(2,303,573)	116,758,877
Total Equity	19,764,058	2,203,971	3,473,901	(9,018,912)	16,423,018
(Loss)/Profit for the year	(37,635)	153,860	57,862	(791,937)	(617,850)
ASSETS					
Financial assets at fair value through P/L	912,679	-	-	-	912,679
Loans and advances to customers	3,659,328	787,466	23,549,121	-	27,995,915
Loans and advances to related parties	54,893	36,392	228,352	-	319,637
Investment securities	6,468,012	740,465	5,151,482	-	12,359,959
LIABILITIES					
Deposits from customers	77,442,300	2,221,532	26,068,954	-	105,732,786
Deposits from related parties	1,350,396	410,631	261,571	(584,086)	1,438,512

53. SEGMENT INFORMATION (Continued)

	31 December 2024				
	Lebanon & Middle East LBP million	Europe LBP million	Australia LBP million	Inter-segment LBP million	Total LBP million
Interest income	7,021,665	2,729,348	10,194,394	(164,394)	19,781,013
Less: tax on interest	(312,918)	-	-	28,385	(284,533)
Interest income, net of tax	6,708,747	2,729,348	10,194,394	(136,009)	19,496,480
Interest expense	(1,458,683)	(672,848)	(6,980,978)	164,394	(8,948,115)
Net interest income	5,250,064	2,056,500	3,213,416	28,385	10,548,365
Fee and commission income	5,505,039	722,394	198,828	(324,205)	6,102,056
Fee and commission expense	(1,174,184)	(13,929)	(256,836)	296,030	(1,148,919)
Net fee and commission income	4,330,855	708,465	(58,008)	(28,175)	4,953,137
Net interest and other loss on financial assets at fair value through profit or loss	6,084,563	-	-	-	6,084,563
Gain on derecognition of financial assets at amortized cost	(16,924)	-	-		(16,924)
Other operating income (net)	8,284,657	101,664	64,695	(3,725,253)	4,725,763
Net financial revenues	23,933,215	2,866,629	3,220,103	(3,725,043)	26,294,904
Allowance for expected credit losses (net)	(6,388,288)	27,621	(36,560)	-	(6,397,227)
Other provisions (net)	(5,821,553)	-	(127,158)	-	(5,948,711)
Net financial revenues after impairment	11,596,216	2,894,250	3,183,543	(3,725,043)	13,948,966
Staff costs	(3,343,434)	(730,277)	(1,463,929)	-	(5,537,640)
General and administrative expenses	(2,846,282)	(584,844)	(1,207,152)	(210)	(4,638,488)
Depreciation and amortization	(368,826)	(95,518)	(391,343)	-	(855,687)
Loss before income tax	5,037,674	1,483,611	121,119	(3,725,253)	2,917,151
Income tax expense	(2,107,120)	(376,068)	(41,033)	-	(2,524,221)
Loss for the year before withholding tax on profits from subsidiaries	2,930,554	1,107,543	80,086	(3,725,253)	392,930
Deferred tax on undistributed profit	-	-	-	(285,097)	(285,097)
Loss for the year	2,930,554	1,107,543	80,086	(4,010,350)	107,833

	31 December 2023				
	Lebanon & Middle East LBP million	Europe LBP million	Australia LBP million	Inter-segment LBP million	Total LBP million
Interest income	2,344,146	334,159	1,093,260	(30,599)	3,740,966
Less: tax on interest	(128,211)	-	-	5,250	(122,961)
Interest income, net of tax	2,215,935	334,159	1,093,260	(25,349)	3,618,005
Interest expense	(286,238)	(73,422)	(611,815)	30,599	(940,876)
Net interest income	1,929,697	260,737	481,445	5,250	2,677,129
Fee and commission income	1,546,997	113,825	12,467	(79,445)	1,593,844
Fee and commission expense	(237,089)	(5,414)	(81)	75,182	(167,402)
Net fee and commission income	1,309,908	108,411	12,386	(4,263)	1,426,442
Net interest and other loss on financial assets at fair value through profit or loss	(2,950,727)	23,127	-	-	(2,927,600)
Gain on derecognition of financial assets at amortized cost	-	-	817		817
Other operating income (net)	1,635,583	18,005	14,744	(712,391)	955,941
Net financial revenues	1,924,461	410,280	509,392	(711,404)	2,132,729
Allowance for expected credit losses (net)	(82,536)	(12,729)	(13,723)	-	(108,988)
Other provisions (net)	(82,443)	-	(11,646)	-	(94,089)
Net financial revenues after impairment	1,759,482	397,551	484,023	(711,404)	1,929,652
Staff costs	(1,000,934)	(104,385)	(193,149)	-	(1,298,468)
General and administrative expenses	(670,783)	(77,274)	(155,291)	(987)	(904,335)
Depreciation and amortization	(35,610)	(12,961)	(52,719)	-	(101,290)
Loss before income tax	52,155	202,931	82,864	(712,391)	(374,441)
Income tax expense	(89,791)	(49,071)	(25,002)	-	(163,864)
Loss for the year before withholding tax on profits from subsidiaries	(37,636)	153,860	57,862	(712,391)	(538,305)
Deferred tax on undistributed profit	-	-	-	(62,369)	(62,369)
Loss for the year	(37,636)	153,860	57,862	(774,760)	(600,674)

53. SEGMENT INFORMATION (Continued)

The Group's operating segment information by activity during 2024 and 2023 was as follows:

	31 December 2024			
	Banking & Financial Institutions	Insurance and Brokerage	Inter-segment	Total
	LBP million	LBP million	LBP million	LBP million
Total Assets	805,749,352	2,114,903	(59,976,711)	747,887,544
Total Liabilities	698,829,638	1,209,930	(9,383,723)	690,655,845
Total Equity	105,140,008	904,973	(48,813,282)	57,231,699
Loss for the year	3,760,991	357,191	(4,036,271)	81,911
Non-controlling interests	-	-	25,922	25,922

	31 December 2023			
	Banking & Financial Institutions	Insurance and Brokerage	Inter-segment	Total
	LBP million	LBP million	LBP million	LBP million
Total Assets	143,974,777	844,431	(11,637,313)	133,181,895
Total Liabilities	118,765,802	296,648	(2,303,573)	116,758,877
Total Equity	24,894,147	547,783	(9,018,912)	16,423,018
Loss for the year	(163,137)	337,224	(791,937)	(617,850)
Non-controlling interests	-	-	17,176	17,176

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

A Credit risk
B Liquidity risk
C Interest rate risk
D Foreign currency risk; and
E 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.

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

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.

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

A- Credit Risk (Continued)

Expected Credit Losses (Continued)

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 prevailing 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

- 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.

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

A- Credit Risk (Continued)

Expected Credit Losses (Continued)

- 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.
- 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:

A) 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.

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

A- Credit Risk (Continued)

Expected Credit Losses (Continued)

Significant Increase In Credit Risk (Continued)

B) 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:

v) "*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.

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

vii) "*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.

viii) "*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.

ix) "*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,

x) "*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.

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

A- Credit Risk (Continued)

Expected Credit Losses (Continued)

Significant Increase In Credit Risk (Continued)

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).

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

A- Credit Risk (Continued)

Expected Credit Losses (Continued)

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.

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

A- Credit Risk (Continued)

Expected Credit Losses (Continued)

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.

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

A- Credit Risk (Continued)

Expected Credit Losses (Continued)

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

Since year 2020, 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.

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

A- Credit Risk (Continued)

Credit Quality (Continued)

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.

	Notes	31 December 2024 Gross Maximum Exposure LBP million	31 December 2023 Gross Maximum Exposure LBP million
Deposits with central banks (excluding cash on hand)	5	429,012,848	73,662,665
Deposits with banks and financial institutions	6	48,596,780	6,312,584
Financial assets at fair value through profit or loss	7	14,842,316	912,679
Loans to banks	8	6,982,385	1,513,538
Loans and advances to customers	9	193,229,029	31,432,542
Loans and advances to related parties	10	1,611,160	332,516
Investment securities at amortized cost	11	68,753,825	12,694,828
Investment securities at fair value through other comprehensive income	11	40,693	24,893
Customers' liability under acceptances	12	246,222	88,105
Other financial assets	19	2,213,795	257,453
Total		765,529,053	127,231,803
Financial instruments with off-balance sheet risk		21,409,332	4,674,001
Fiduciary accounts	47	18,218,638	2,258,149
Total		39,627,970	6,932,150
Total credit risk exposure		805,157,023	134,163,953

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

A- Credit Risk (Continued)

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:

	31 December 2024						
	Agriculture	Manufacturing and Industry	Financial Services	Real Estate and Construction	Trade and Services	Others	Total
	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million
BALANCE SHEET EXPOSURE							
Loans to banks	-	-	-	-	6,982,385	-	6,982,385
Loans and advances to customers	86,422	5,679,835	4,294,921	43,512,833	21,286,555	118,368,463	193,229,029
Loans and advances to related parties	-	-	49,433	87	354,684	1,206,956	1,611,160
	86,422	5,679,835	4,344,354	43,512,920	28,623,624	119,575,419	201,822,574

	31 December 2023						
	Agriculture	Manufacturing and Industry	Financial Services	Real Estate and Construction	Trade and Services	Others	Total
	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million
BALANCE SHEET EXPOSURE							
Loans to banks	-	-	-	-	1,507,599	5,939	1,513,538
Loans and advances to customers	15,367	1,325,098	704,313	6,743,503	3,303,494	19,340,767	31,432,542
Loans and advances to related parties	-	-	5,234	-	62,528	264,754	332,516
	15,367	1,325,098	709,547	6,743,503	4,873,621	19,611,460	33,278,596

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

A- Credit Risk (Continued)

Concentration of financial assets and liabilities by geographical location:

	31 December 2024						
	Lebanon LBP million	Middle East and Africa LBP million	Europe LBP million	North America LBP million	Australia LBP million	Others LBP million	Total LBP million
FINANCIAL ASSETS							
Cash and deposits at central banks	412,572,202	10,423,282	7,685,941	-	1,781,837	-	432,463,262
Deposits with banks and financial institutions	1,209,684	288,969	23,508,412	19,904,277	3,630,671	54,767	48,596,780
Financial assets at fair value through profit or loss	13,394,091	31,772	-	1,416,453	-	-	14,842,316
Loans to banks	-	6,026,953	955,432	-	-	-	6,982,385
Loans and advances to customers	20,927,334	12,249,062	5,035,041	88,914	154,766,654	162,024	193,229,029
Loans and advances to related parties	608,312	-	535	-	1,002,313	-	1,611,160
Investment securities	28,767,103	6,174,339	561,421	5,870,690	27,420,965	-	68,794,518
Customers' liability under acceptances	-	183,395	62,827	-	-	-	246,222
Other financial assets	1,494,474	28,874	47,513	315,345	327,589	-	2,213,795
	478,973,200	35,406,646	37,857,122	27,595,679	188,930,029	216,791	768,979,467
FINANCIAL LIABILITIES							
Deposits from banks and financial institutions	1,668,906	37,082,831	15,483	-	-	-	38,767,220
Deposits from customers and related parties	374,565,413	59,524,853	17,814,656	3,831,153	171,383,042	2,551,708	629,670,825
Liabilities under acceptance	3,186	40,392	202,644	-	-	-	246,222
Other borrowings	269,341	276,396	-	-	-	-	545,737
Certificates of deposit	-	-	34,145	-	-	-	34,145
Other financial liabilities	8,287,732	349,215	1,457,032	277,311	865,328	-	11,236,618
	384,794,578	97,273,687	19,523,960	4,108,464	172,248,370	2,551,708	680,500,767
Net position	94,178,622	(61,867,041)	18,333,162	23,487,215	16,681,659	(2,334,917)	88,478,700

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

A- Credit Risk (Continued)

Concentration of financial assets and liabilities by geographical location (Continued)

	31 December 2023						
	Lebanon	Middle East and Africa	Europe	North America	Australia	Others	Total
	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million
FINANCIAL ASSETS							
Cash and deposits at central banks	70,669,786	1,740,069	1,058,383	-	1,438,904	-	74,907,142
Deposits with banks and financial institutions	68,903	262,108	3,003,423	2,502,857	467,531	7,762	6,312,584
Financial assets at fair value through profit or loss	907,354	5,325	-	-	-	-	912,679
Loans to banks	-	1,503,211	10,327	-	-	-	1,513,538
Loans and advances to customers	4,499,846	2,634,300	725,743	14,900	23,518,219	39,534	31,432,542
Loans and advances to related parties	69,502	34,574	88	-	228,352		332,516
Investment securities	6,823,701	-	100,007	640,474	5,155,539	-	12,719,721
Customers' liability under acceptances	-	22,593	53,710	11,802	-	-	88,105
Other financial assets	170,126	17,620	243	11,409	58,055	-	257,453
	83,209,218	6,219,800	4,951,924	3,181,442	30,866,600	47,296	128,476,280
FINANCIAL LIABILITIES							
Deposits from banks and financial institutions	240,600	4,824,047	135,835	-	-	-	5,200,482
Deposits from customers and related parties	66,898,851	10,114,145	3,189,454	648,223	25,899,213	421,412	107,171,298
Liabilities under acceptance	-	1,719	86,386	-	-	-	88,105
Other borrowings	394,411	46,372	-	-	1,943,300	-	2,384,083
Certificates of deposit	-	-	6,707	-	-	-	6,707
Other financial liabilities	741,451	23,924	76,742	1,275	133,637	-	977,029
	68,275,313	15,010,207	3,495,124	649,498	27,976,150	421,412	115,827,704
Net position	14,933,905	(8,790,407)	1,456,800	2,531,944	2,890,450	(374,116)	12,648,576

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

A- Credit Risk (Continued)

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

	31 December 2024								
	Gross Exposure				Impairment Allowance				
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Net Exposure
	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million
Deposits with central banks	423,855,885	-	8,607,377	432,463,262	(7,705,123)	-	(8,607,377)	(16,312,500)	416,150,762
Deposits with banks and financial institutions	48,428,098	168,682	-	48,596,780	(61,605)	(27,945)	-	(89,550)	48,507,230
Loans to banks	6,982,385	-	-	6,982,385	(298,951)	-	-	(298,951)	6,683,434
Loans and advances to customers	131,783,681	36,886,883	24,558,465	193,229,029	(90,367)	(745,963)	(17,499,490)	(18,335,820)	174,893,209
Loans and advances to related parties	1,250,318	6,158	354,684	1,611,160	-	-	(201)	(201)	1,610,959
Investment securities at amortized cost	66,855,298	-	1,939,219	68,794,517	(494,100)	-	(1,493,280)	(1,987,380)	66,807,137
Customer liabilities under acceptances	246,222	-	-	246,222	(1,663)	-	-	(1,663)	244,559
Other assets	2,213,795	-	-	2,213,795	(340,524)	-	-	(340,524)	1,873,271
Off-balance sheet commitments	14,091,260	5,835,025	-	19,926,285	(170,700)	(124,623)	-	(295,323)	19,630,962
	695,706,942	42,896,748	35,459,745	774,063,435	(9,163,033)	(898,531)	(27,600,348)	(37,661,912)	736,401,523

	31 December 2023								
	Gross Exposure				Impairment Allowance				
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Net Exposure
	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million
Cash and deposits with central banks	74,907,143	-	-	74,907,143	(1,409,304)	-	-	(1,409,304)	73,497,839
Deposits with banks and financial institutions	6,278,057	34,528	-	6,312,585	(944)	(301)	-	(1,245)	6,311,340
Loans to banks	1,452,487	61,051	-	1,513,538	(51,062)	(432)	-	(51,494)	1,462,044
Loans and advances to customers	18,783,474	7,688,125	4,960,943	31,432,542	(31,886)	(441,450)	(2,963,291)	(3,436,627)	27,995,915
Loans and advances to related parties	331,707	809	-	332,516	(28)	(12,851)	-	(12,879)	319,637
Investment securities at amortized cost	12,365,493	-	354,228	12,719,721	(83,992)	-	(275,770)	(359,762)	12,359,959
Customer liabilities under acceptances	88,105	-	-	88,105	(109)	-	-	(109)	87,996
Other assets	257,453	-	-	257,453	(51,102)	-	-	(51,102)	206,351
Off-balance sheet commitments	2,881,226	1,445,789	-	4,327,015	(36,000)	(20,733)	-	(56,733)	4,270,282
	117,345,145	9,230,302	5,315,171	131,890,618	(1,664,427)	(475,767)	(3,239,061)	(5,379,255)	126,511,363

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

A- Credit Risk (Continued)

Credit risk exposure for loans and advances to customers per internal rating and stage

	31 December 2024			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	LBP million	LBP million	LBP million	LBP million
Grades 1-3: Low to fair risk	131,783,681	32,931,869	-	164,715,550
Grades 4-6: Monitoring	-	3,955,014	-	3,955,014
Grades 7-8: Substandard	-	-	3,126,956	3,126,956
Grade 9: Doubtful	-	-	21,431,509	21,431,509
Grade 10: Impaired	-	-	-	-
Total gross carrying amount	131,783,681	36,886,883	24,558,465	193,229,029
Expected credit loss	(90,366)	(745,964)	(17,499,490)	(18,335,820)
Carrying Amount	131,693,315	36,140,919	7,058,975	174,893,209

	31 December 2023			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	LBP million	LBP million	LBP million	LBP million
Grades 1-3: Low to fair risk	18,783,474	284,305	-	19,067,779
Grades 4-6: Monitoring	-	7,403,820	-	7,403,820
Grades 7-8: Substandard	-	-	778,855	778,855
Grade 9: Doubtful	-	-	4,182,088	4,182,088
Grade 10: Impaired	-	-	-	-
Total gross carrying amount	18,783,474	7,688,125	4,960,943	31,432,542
Expected credit loss	(31,887)	(441,450)	(2,963,290)	(3,436,627)
Carrying Amount	18,751,587	7,246,675	1,997,653	27,995,915

Movement of the allowance for expected credit losses

The movement of the allowance for expected credit losses for all class of financial assets during 2024 and 2023 is summarized as follows:

	Stage 1 12-Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	LBP million	LBP million	LBP million	LBP million
Balance at 1 January 2024	1,664,427	475,767	3,239,061	5,379,255
Net change in the loss allowance	(356,970)	(662,971)	7,405,185	6,385,244
Other movement	-	-	11,983	11,983
Effect of exchange rate changes and other movements	7,855,576	1,085,735	8,336,742	17,278,053
Balance at 31 December 2024	9,163,033	898,531	18,992,971	29,054,535

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

A- Credit Risk (Continued)

Movement of the allowance for expected credit losses (Continued)

	Stage 1 12-Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	LBP million	LBP million	LBP million	LBP million
Balance at 1 January 2023	150,767	185,523	1,327,654	1,663,944
Net change in the loss allowance	1,463	87,320	-	88,783
Other movement	-	(89)	20,205	20,116
Effect of exchange rate changes and other movements	1,512,197	203,013	1,891,202	3,606,412
Balance at 31 December 2023	1,664,427	475,767	3,239,061	5,379,255

The movement of the allowance for expected credit losses for loans and advances to customers during 2024 and 2023 is summarized as follows:

	Stage 1 12-Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	LBP million	LBP million	LBP million	LBP million
Balance at 1 January 2024	31,887	441,450	2,963,290	3,436,627
Net change in the loss allowance	58,479	304,514	14,536,200	14,899,193
Balance at 31 December 2024	90,366	745,964	17,499,490	18,335,820

	Stage 1 12-Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	LBP million	LBP million	LBP million	LBP million
Balance at 1 January 2023	420	180,979	229,613	411,012
Net change in the loss allowance	31,467	260,471	2,733,677	3,025,615
Balance at 31 December 2023	31,887	441,450	2,963,290	3,436,627

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.

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

A- Credit Risk (Continued)

Collateral held as security and other credit enhancements

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

31 December 2024

	Gross Exposure	Expected Credit Loss	Net Exposure	Fair Value of Collateral Received: Pledged Funds	First Degree Mortgage on Property	Debt Securities	Bank Guarantees	Vehicles	Other	Total
	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million
Performing loans	168,670,564	(836,330)	167,834,234	3,364,886	345,619,177	47,908	1,394,222	392,410	90,178,730	440,997,333
Non-performing loans	24,558,465	(17,499,490)	7,058,975	893,493	17,695,095	-	-	327,822	7,798,273	26,714,683
	193,229,029	(18,335,820)	174,893,209	4,258,379	363,314,272	47,908	1,394,222	720,232	97,977,003	467,712,016

31 December 2023

	Gross Exposure	Expected Credit Loss	Net Exposure	Fair Value of Collateral Received: Pledged Funds	First Degree Mortgage on Property	Debt Securities	Bank Guarantees	Vehicles	Other	Total
	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million
Performing loans	26,471,599	(473,337)	25,998,262	3,331,150	54,914,704	47,908	470,503	90,681	16,000,476	74,855,422
Non-performing loans	4,960,943	(2,963,290)	1,997,653	148,851	3,792,596	-	-	71,218	1,311,043	5,323,708
	31,432,542	(3,436,627)	27,995,915	3,480,001	58,707,300	47,908	470,503	161,899	17,311,519	80,179,130

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

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.

Regulatory requirements

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general, and specifically to the Group. In Lebanon and since October 2019 events, the Group monitors on a daily basis the ratio of available international foreign currency liquidity to international commitments over various time horizons. The Central Bank of Lebanon, through its Basic circular 154 dated 27 August 2020, issued various requirements aiming at restoring the normal banking operations in Lebanon to their pre-October 2019 levels. Among these requirements, Lebanese banks were requested to maintain total current account balance with foreign correspondent banks (international liquidity that is free of any obligation) in excess of 3% of the bank's total foreign currency deposits as at 31 July 2020 by February 28, 2021. On December 24, 2020, the Banking Control Commission of Lebanon issued memo 18/2020 that contains guidance for the calculation of this ratio. The Bank submitted to the regulator an adjusted calculation for meeting these requirements. The approval of the regulator for meeting this ratio is pending as of the date of these financial statements.

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.

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

B – Liquidity Risk (Continued)

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.

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

B – Liquidity Risk (Continued)

Residual contractual maturities of financial assets and liabilities

The tables below show the gross carrying value of the Group's financial assets and liabilities segregated by maturity (excluding provision for expected credit losses):

	31 December 2024							
	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 million	LBP million	LBP million	LBP'000'000	LBP'000'000	LBP'000'000	LBP'000'000	LBP'000'000
FINANCIAL ASSETS								
Cash and deposits at central banks	19,301,619	223,950,325	20,137,500	12,762,700	42,241,289	106,717,294	7,352,535	432,463,262
Deposits with banks and financial institutions	8,443,103	40,153,677	-	-	-	-	-	48,596,780
Financial assets at fair value through profit or loss	1,708,001	4,300,265	2,982,136	4,067,014	1,376,919	403,343	4,638	14,842,316
Loans to banks	166,800	4,724,186	2,091,399	-	-	-	-	6,982,385
Loans and advances to customers	24,176,813	6,577,060	3,495,050	11,129,170	1,678,436	4,344,519	141,827,981	193,229,029
Loans and advances to related parties	841	1,165,688	202,954	-	-	9,570	232,107	1,611,160
Investment securities	42,397	16,610,064	9,906,536	11,764,161	13,854,429	470,931	16,146,000	68,794,518
Customers' liability under acceptances	-	158,081	88,141	-	-	-	-	246,222
Other financial assets	1,221,311	-	288,694	580,381	-	123,409	-	2,213,795
	55,060,885	297,639,346	39,192,410	40,303,426	59,151,073	112,069,066	165,563,261	768,979,467
FINANCIAL LIABILITIES								
Deposits from banks and financial institutions	16,047,778	13,494,323	6,191,160	3,033,959	-	-	-	38,767,220
Customer's and related parties' deposits	5,308,190	509,304,538	91,191,658	10,029,186	11,738,954	1,864,293	234,006	629,670,825
Liabilities under acceptance	-	158,081	88,141	-	-	-	-	246,222
Other borrowings	-	5,826	57,991	481,920	-	-	-	545,737
Certificates of deposit	319	-	33,826	-	-	-	-	34,145
Other financial liabilities	10,099,552	139,288	146,857	701,891	-	149,030	-	11,236,618
	31,455,839	523,102,056	97,709,633	14,246,956	11,738,954	2,013,323	234,006	680,500,767
Net Maturity Gap	23,605,046	(225,462,710)	(58,517,223)	26,056,470	47,412,119	110,055,743	165,329,255	88,478,700

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

B – Liquidity Risk(Continued)

Residual contractual maturities of financial assets and liabilities (Continued)

	31 December 2023							
	With No Maturity LBP million	Up to 3 Months LBP million	3 Months to 1 Year LBP million	1 to 3 Years LBP million	3 to 5 Years LBP million	5 to 10 Years LBP million	Over 10 Years LBP million	Total LBP million
FINANCIAL ASSETS								
Cash and deposits at central banks	1,302,840	34,317,593	4,117,500	7,784,874	2,484,000	12,772,800	12,127,535	74,907,142
Deposits with banks and financial institutions	944,109	5,368,475	-	-	-	-	-	6,312,584
Financial assets at fair value through profit or loss	9,254	73,103	129,934	401,655	195,957	102,416	360	912,679
Loans to banks	29,203	1,402,847	81,488	-	-	-	-	1,513,538
Loans and advances to customers	4,201,173	2,071,221	2,831,555	1,026,497	320,399	742,353	20,239,344	31,432,542
Loans and advances to related parties	64,356	5,235	95,619	-	-	1,992	165,314	332,516
Investment securities	285,421	1,567,413	2,239,541	3,350,669	750,706	1,102,246	3,423,725	12,719,721
Customers' liability under acceptances	5	55,230	32,870	-	-	-	-	88,105
Other financial assets	112,422	17,326	40,180	57,246	-	30,279	-	257,453
	6,948,783	44,878,443	9,568,687	12,620,941	3,751,062	14,752,086	35,956,278	128,476,280
FINANCIAL LIABILITIES								
Deposits from banks and financial institutions	1,438,314	2,150,703	1,611,465	-	-	-	-	5,200,482
Customer's and related parties' deposits	890,121	89,179,267	13,594,647	1,442,899	1,622,080	245,360	196,924	107,171,298
Liabilities under acceptance	-	55,235	32,870	-	-	-	-	88,105
Other borrowings	-	466,220	-	1,759,181	-	158,682	-	2,384,083
Certificates of deposit	66	-	6,641	-	-	-	-	6,707
Other financial liabilities	609,050	201,178	36,382	94,048	-	36,371	-	977,029
	2,937,551	92,052,603	15,282,005	3,296,128	1,622,080	440,413	196,924	115,827,704
Net Maturity Gap	4,011,232	(47,174,160)	(5,213,318)	9,324,813	2,128,982	14,311,673	35,759,354	12,648,576

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

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.

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

C – Market Risks (Continued)

Interest rate sensitivity analysis for financial assets and financial liabilities as at 31 December 2024

	Interest Rate Sensitivity Balance Sheet													
		Floating						Fixed						
	Non-Interest Generating	Up to 3 Months	3 Months to 1 Year	1 to3 Years	3 to 5 Years	Over 5 Years	Total	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total	Grand Total
	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million
FINANCIAL ASSETS														
Cash and deposits at central bank	222,546,460	9,446,384	-	-	-	-	9,446,384	11,259,100	20,137,500	12,759,989	42,244,000	114,069,829	200,470,418	432,463,262
Deposits with banks and financial institutions	493,667	4,282,750	-	-	-	-	4,282,750	43,820,363	-	-	-	-	43,820,363	48,596,780
Financial assets at fair value through Profit or loss	1,708,031	-	-	-	-	-	-	4,300,235	2,982,136	4,067,014	1,376,919	407,981	13,134,285	14,842,316
Loans to banks	126,194	-	-	-	-	-	-	4,764,791	2,091,400	-	-	-	6,856,191	6,982,385
Loans and advances to customers	23,490,879	5,045,475	1,137,070	9,695,513	1,198,056	141,452,736	158,528,850	3,063,965	2,100,505	832,365	376,932	4,835,533	11,209,300	193,229,029
Loans and advances to related parties	761,477	-	202,954	-	-	241,677	444,631	405,052	-	-	-	-	405,052	1,611,160
Investment in securities	128,219	13,625,742	7,305,635	1,127,249	-	-	22,058,626	15,783,204	6,680,125	1,545,394	6,094,950	16,504,000	46,607,673	68,794,518
Customers' liability under acceptance	246,222	-	-	-	-	-	-	-	-	-	-	-	-	246,222
Other financial assets	2,209,886	3,909	-	-	-	-	3,909	-	-	-	-	-	-	2,213,795
	251,711,035	32,404,260	8,645,659	10,822,762	1,198,056	141,694,413	194,765,150	83,396,710	33,991,666	19,204,762	50,092,801	135,817,343	322,503,282	768,979,467
Deposits from banks and financial institutions	16,110,834	321,025	-	-	-	-	321,025	13,110,242	6,191,160	3,033,959	-	-	22,335,361	38,767,220
Customers and related parties' deposits at amortized cost	6,995,238	40,551,665	-	-	-	-	40,551,665	469,595,538	90,701,617	10,000,359	11,542,286	284,122	582,123,922	629,670,825
Liabilities under acceptance	246,222	-	-	-	-	-	-	-	-	-	-	-	-	246,222
Other borrowings	6,614	-	-	-	-	-	-	276,396	57,991	204,736	-	-	539,123	545,737
Certificates of deposit	319	-	-	-	-	-	-	33,826	-	-	-	-	33,826	34,145
Other financial liabilities	11,236,618	-	-	-	-	-	-	-	-	-	-	-	-	11,236,618
	34,595,845	40,872,690	-	-	-	-	40,872,690	483,016,002	96,950,768	13,239,054	11,542,286	284,122	605,032,232	680,500,767
Interest rate Gap	217,115,190	(8,468,430)	8,645,659	10,822,762	1,198,056	141,694,413	153,892,460	(399,619,292)	(62,959,102)	5,965,708	38,550,515	135,533,221	(282,528,950)	88,478,700

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

C – Market Risks (Continued)

Interest rate sensitivity analysis for financial assets and financial liabilities as at December 31, 2023

	Interest Rate Sensitivity Balance Sheet													
		Floating						Fixed						
	Non-Interest Generating	Up to 3 Months	3 Months to 1 Year	1 to3 Years	3 to 5 Years	Over 5 Years	Total	Up to 3 Months	3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Total	Grand Total
	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million
FINANCIAL ASSETS														
Cash and deposits at central bank	23,197,657	2,493,166	-	-	-	-	2,493,166	9,929,610	4,117,500	7,784,874	2,484,000	24,900,335	49,216,319	74,907,142
Deposits with banks and financial institutions	279,150	706,649	-	-	-	-	706,649	5,326,785	-	-	-	-	5,326,785	6,312,584
Financial assets at fair value through Profit or loss	22,354	-	-	-	-	-	-	73,051	129,935	388,606	195,957	102,776	890,325	912,679
Loans to banks	10,606	-	-	-	-	-	-	1,421,445	81,487	-	-	-	1,502,932	1,513,538
Loans and advances to customers	4,143,214	575,638	993,794	328,255	125,570	20,311,915	22,335,172	1,794,925	1,747,782	610,956	144,258	656,235	4,954,156	31,432,542
Loans and advances to related parties	64,355	-	34,574	-	-	167,306	201,880	9,964	56,317	-	-	-	66,281	332,516
Investment in securities	351,177	3,377,859	-	207,373	-	-	3,585,232	1,373,115	1,428,579	1,286,102	110,371	4,585,145	8,783,312	12,719,221
Customers' liability under acceptance	88,105	-	-	-	-	-	-	-	-	-	-	-	-	88,105
Other financial assets	256,643	810	-	-	-	-	810	-	-	-	-	-	-	257,453
	28,413,261	7,154,122	1,028,368	535,628	125,570	20,479,221	29,322,909	19,928,895	7,561,600	10,070,538	2,934,586	30,244,491	70,740,110	128,476,280
Deposits from banks and financial institutions	1,446,307	35,013	-	-	-	-	35,013	2,107,696	1,611,466	-	-	-	3,719,162	5,200,482
Customers and related parties ' deposits at amortized cost	1,199,305	6,686,714	-	-	-	-	6,686,714	82,664,459	13,494,479	1,436,431	1,585,300	104,610	99,285,279	107,171,298
Liabilities under acceptance	88,105	-	-	-	-	-	-	-	-	-	-	-	-	88,105
Other borrowings	2,798	417,050	-	1,526,250	-	-	1,943,300	46,372	-	232,931	-	158,682	437,985	2,384,083
Certificates of deposit	66	-	-	-	-	-	-	-	6,641	-	-	-	6,641	6,707
Other financial liabilities	938,439	22,595	-	-	-	-	22,595	15,995	-	-	-	-	15,995	977,029
	3,675,020	7,161,372	-	1,526,250	-	-	8,687,622	84,834,522	15,112,586	1,669,362	1,585,300	263,292	103,465,062	115,827,704
Interest rate Gap	24,738,241	(7,250)	1,028,368	(990,622)	125,570	20,479,221	20,635,287	(64,905,627)	(7,550,986)	8,401,176	1,349,286	29,981,199	(32,724,952)	12,648,576

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

C – Market Risks (Continued)

Interest Rate Sensitivity

The impact of interest rate changes on net interest income is due to assumed changes in interest paid and received on floating rate financial assets and liabilities and to the reinvestment or refunding of fixed rated financial assets and liabilities at the assumed rates. Given the prolonged nature of the economic crisis and the high levels of uncertainty the Group expects lower interest rates during 2021. However, the Group is unable to determine what would be a reasonably possible change in interest rates. The Central Bank of Lebanon has already decreased interest rates through its circulars. In addition, during 2020, ABL recommended all Lebanese banks to decrease the interest rates on both assets (loans) and liabilities (deposits). This was followed by a decision by ABL to cap the rates to BRR + 2 until the end of 2020. As a result, all interest rates on deposits across Lebanese banks were virtually the same, eliminating the competition.

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.

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

C – Market Risks (Continued)

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

	31 December 2024						
	LBP	USD	EUR	GBP	AUD	Other	Total
	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million
ASSETS							
Cash and deposits at central banks	2,552,342	377,885,463	24,994,827	7,826,289	1,749,046	1,142,795	416,150,762
Deposits with banks and financial institutions	859,856	33,839,098	3,964,931	1,748,113	6,792,300	1,302,932	48,507,230
Financial assets at fair value through profit or loss	1,810	14,840,506	-	-	-	-	14,842,316
Loans to banks	-	6,241,077	111,287	331,070	-	-	6,683,434
Loans and advances to customers	239,530	11,727,015	275,923	4,341,577	153,048,673	5,260,491	174,893,209
Loans and advances to related parties	45,826	358,293	-	204,527	1,002,313	-	1,610,959
Investment securities	1,557,206	31,100,837	570,428	-	27,404,328	6,174,338	66,807,137
Customers' liability under acceptances	-	173,694	70,865	-	-	-	244,559
Investments in an associate	-	28,608	-	-	-	-	28,608
Assets acquired in satisfaction of loans	13,494	520,445	-	-	-	514,999	1,048,938
Non-current assets held for sale	-	-	-	-	-	-	-
Property and equipment	6,948,764	318	-	2,167,889	2,786,432	552,243	12,455,646
Right of use assets	268,008	124,020	-	47,298	123,409	-	562,735
Goodwill	452	-	-	-	-	-	452
Other assets	51,265	1,619,752	3,438	370,311	1,963,987	42,684	4,051,437
	12,538,553	478,459,126	29,991,699	17,037,074	194,870,488	14,990,482	747,887,422
LIABILITIES							
Deposits from banks and financial institutions	22,224	26,430,478	9,206,185	621,281	323,063	2,163,989	38,767,220
Deposits from customers and related parties	5,030,350	442,088,261	20,678,173	6,969,916	147,435,591	7,468,534	629,670,825
Liabilities under acceptance	-	150,448	11,972	60,556	-	23,246	246,222
Other borrowings	235,731	112,774	-	47	-	197,185	545,737
Certificates of deposit	-	-	-	34,145	-	-	34,145
Lease liability	201	354,028	-	54,050	146,248	-	554,527
Other liabilities	5,461,559	3,582,978	109,254	463,365	960,409	368,674	10,946,239
Provisions	1,362,220	4,140,507	3,012	8,710	3,334,590	2,931	8,851,970
	12,112,285	476,859,474	30,008,596	8,212,070	152,199,901	10,224,559	689,616,885
Currencies to be delivered	-	(1,049,390)	-	(1,003,494)	(39,094)	-	(2,091,978)
Currencies to be received	-	1,053,018	-	-	-	-	1,053,018
Discount (net)	-	122	-	-	-	-	122
	-	3,750	-	(1,003,494)	(39,094)	-	(1,038,838)
Net exchange position	426,268	1,603,402	(16,897)	7,821,510	42,631,493	4,765,923	57,231,699

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

C – Market Risks (Continued)

	31 December 2023						
	LBP	USD	EUR	GBP	AUD	Other	Total
	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million	LBP million
ASSETS							
Cash and deposits at central banks	2,172,125	64,184,976	4,428,743	1,073,137	1,435,048	203,810	73,497,839
Deposits with banks and financial institutions	10,863	4,427,413	458,322	531,336	466,440	416,966	6,311,340
Financial assets at fair value through profit or loss	2,746	909,933	-	-	-	-	912,679
Loans to banks	-	1,264,542	53,809	143,693	-	-	1,462,044
Loans and advances to customers	278,136	2,143,309	111,342	581,290	23,515,936	1,365,902	27,995,915
Loans and advances to related parties	5,486	49,042	344	36,413	228,352	-	319,637
Investment securities	1,660,481	4,897,426	100,678	-	5,151,482	549,892	12,359,959
Customers' liability under acceptances	-	57,475	30,521	-	-	-	87,996
Investments in an associate	14,022	-	-	-	-	-	14,022
Assets acquired in satisfaction of loans	3,350	63,342	-	-	-	83,794	150,486
Non-current assets held for sale	-	570,000	-	-	-	-	570,000
Property and equipment	7,742,847	435	-	370,367	541,681	100,195	8,755,525
Right of use assets	22,298	-	-	10,201	30,279	-	62,778
Goodwill	452	-	-	-	86,582	-	87,034
Other assets	58,999	97,140	20,443	2,775	398,211	17,026	594,594
	11,971,805	78,665,033	5,204,202	2,749,212	31,854,011	2,737,585	133,181,848
LIABILITIES							
Deposits from banks and financial institutions	16,237	3,000,898	1,506,728	106,482	35,380	534,757	5,200,482
Deposits from customers and related parties	3,792,489	71,105,629	3,782,099	934,803	26,184,846	1,371,432	107,171,298
Liabilities under acceptance	-	57,481	30,624	-	-	-	88,105
Other borrowings	345,487	62,192	-	8	1,943,300	33,096	2,384,083
Certificates of deposit	-	-	-	6,707	-	-	6,707
Lease liability	33,683	23,018	-	11,298	36,371	-	104,370
Other liabilities	477,308	560,634	27,035	66,110	133,795	30,822	1,295,704
Provisions	210,968	242,881	54	2,131	39,708	11,921	507,663
	4,876,172	75,052,733	5,346,540	1,127,539	28,373,400	1,982,028	116,758,412
Currencies to be delivered	-	-	-	(261,222)	(5,388)	(1,816)	(268,426)
Currencies to be received	-	267,961	-	-	-	-	267,961
Discount (net)	-	47	-	-	-	-	47
	-	268,008	-	(261,222)	(5,388)	(1,816)	(418)
Net exchange position	7,095,633	3,880,308	(142,338)	1,360,451	3,475,223	753,741	16,423,018

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

C – Market Risks (Continued)

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

The tables below include segregation of onshore and offshore assets and liabilities in foreign currencies:

	31 December 2024			
	LBP	Onshore foreign currencies	Offshore foreign currencies	Total
	LBP million	LBP million	LBP million	LBP million
ASSETS				
Cash and deposits at central banks	2,552,343	399,853,030	13,745,389	416,150,762
Deposits with banks and financial institutions	859,856	37,384	47,609,990	48,507,230
financial assets at fair value through profit or loss	1,810	3,258,547	11,581,959	14,842,316
Loans to banks	-	-	6,683,434	6,683,434
Loans and advances to customers	239,530	7,154,999	167,498,680	174,893,209
Loans and advances to related parties	45,826	3,340	1,561,793	1,610,959
Investment securities	1,557,206	25,228,329	40,021,602	66,807,137
Customers' liability under acceptances	-	-	244,559	244,559
Investments in an associate	-	28,608	-	28,608
Assets acquired in satisfaction of loans	13,494	59,078	976,366	1,048,938
Non-current assets held for sale	-	-	-	-
Property and equipment	6,948,764	-	5,506,882	12,455,646
Right of use assets	268,008	124,020	170,707	562,735
Goodwill	452	-	-	452
Other assets	51,265	518,093	3,482,079	4,051,437
	12,538,554	436,265,428	299,083,440	747,887,422
LIABILITIES				
Deposits from banks and financial institutions	22,223	19,498,926	19,246,071	38,767,220
Customers' and related parties' deposits	5,030,350	409,932,233	214,708,242	629,670,825
Liabilities under acceptance	-	-	246,222	246,222
Other borrowings	235,731	310,006	-	545,737
Certificates of deposits	-	-	34,145	34,145
Lease liability	201	239,216	315,110	554,527
Other liabilities	3,266,000	4,379,425	3,300,814	10,946,239
Provisions	1,362,131	4,026,938	3,462,901	8,851,970
	9,916,636	438,386,744	241,313,505	689,616,885
Currencies to be delivered	-	-	(2,091,978)	(2,091,978)
Currencies to be received	-	-	1,053,018	1,053,018
Premium (net)	-	-	122	122
	-	-	(1,038,838)	(1,038,838)
Net exchange position	2,621,918	(2,121,316)	56,731,097	57,231,699

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

C – Market Risks (Continued)

	December 31, 2023			
	LBP	Onshore foreign currencies	Offshore foreign currencies	Total
	LBP million	LBP million	LBP million	LBP million
ASSETS				
Cash and deposits at central banks	2,172,125	68,643,742	2,681,972	73,497,839
Deposits with banks and financial institutions	10,863	4,682,139	1,618,338	6,311,340
financial assets at fair value through profit or loss	2,746	909,933	-	912,679
Loans to banks	-	-	1,462,044	1,462,044
Loans and advances to customers	278,136	2,034,480	25,683,299	27,995,915
Loans and advances to related parties	5,486	49,407	264,744	319,637
Investment securities	1,660,482	4,227,365	6,472,112	12,359,959
Customers' liability under acceptances	-	-	87,996	87,996
Investments in an associate	14,022	-	-	14,022
Assets acquired in satisfaction of loans	3,350	63,342	83,794	150,486
Non-current assets held for sale	-	570,000	-	570,000
Property and equipment	7,742,847	435	1,012,243	8,755,525
Right of use assets	22,297	-	40,481	62,778
Goodwill	452	-	86,582	87,034
Other assets	59,042	106,346	429,206	594,594
	11,971,848	81,287,189	39,922,811	133,181,848
LIABILITIES				
Deposits from banks and financial institutions	16,237	4,833,658	350,587	5,200,482
Customers' and related parties' deposits	3,792,489	73,670,994	29,707,815	107,171,298
Liabilities under acceptance	-	-	88,105	88,105
Other borrowings	345,487	95,296	1,943,300	2,384,083
Certificates of deposits	-	-	6,707	6,707
Lease liability	33,683	23,018	47,669	104,370
Other liabilities	477,773	513,529	304,402	1,295,704
Provisions	210,968	296,695	-	507,663
	4,876,637	79,433,190	32,448,585	116,758,412
Currencies to be delivered	-	-	(268,426)	(268,426)
Currencies to be received	-	-	267,961	267,961
Premium (net)	-	-	47	47
	-	-	(418)	(418)
Net exchange position	7,095,212	1,853,998	7,473,808	16,423,018

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

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 17 October 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. However, due to recent development and the increasing trend in judgments ruled in favor of the plaintiffs and customers during 2021, 2022, 2023 and 2024, management considers that this increase in litigations may affect negatively the offshore liquidity of the Group, its foreign assets and its foreign currency mismatch. The amount cannot be determined at present. 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.

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.

55. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (Continued)

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*.

Financial assets and liabilities not originated in Lebanon:

The tables below summarize the Group's financial assets and liabilities not originated in Lebanon as at 31 December 2024 and 2023:

		31 December 2024				
		Carrying	Fair Value			
	Notes	Amount	Level 1	Level 2	Level 3	Total
		LBP million	LBP million	LBP million	LBP million	LBP million
Financial assets measured at:						
Fair value through profit or loss (excluding accrued interest receivable):						
Foreign government bonds	7	1,416,453	-	1,416,453	-	1,416,453
		1,416,453	-	1,416,453	-	1,416,453
Amortized cost:						
Foreign Government bonds	11	12,606,449	-	12,606,449	-	12,606,449
Certificates of deposit issued by private sector	11	4,766,033	-	4,766,033	-	4,766,033
Bonds issued by financial private sector	11	22,431,191	-	22,431,191	-	22,431,191
		39,803,673	-	39,803,673	-	39,803,673

		31 December 2023				
		Carrying	Fair Value			
	Notes	Amount	Level 1	Level 2	Level 3	Total
		LBP million	LBP million	LBP million	LBP million	LBP million
Financial assets measured at:						
Fair value through profit or loss (excluding accrued interest receivable):						
Foreign government bonds	7	-	-	-	-	-
		-	-	-	-	-
Amortized cost:						
Foreign Government bonds	11	740,480	-	740,480	-	740,480
Certificates of deposit issued by private sector	11	1,334,700	-	1,334,700	-	1,334,700
Bonds issued by financial private sector	11	3,786,790	-	3,786,790	-	3,786,790
		5,861,970	-	5,861,970	-	5,861,970

55. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (Continued)

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	31 December 2024 and 2023	Average market price in inactive market
At amortized cost:		
Bonds issued by financial private sector	31 December 2024 and 2023	Management estimate based on observable input in inactive market
Foreign government bonds	31 December 2024 and 2023	Average market price in inactive market
Certificates of deposit issued by private sector	31 December 2024 and 2023	Average market price in inactive market

There have been no transfers between Levels during the period.

56. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2024 were approved by the Board of Directors in its meeting held on 16 July 2025.