FRANSABANK S.A.L.

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Fransabank S.A.L.
Beirut, Lebanon

Adverse Opinion

We have audited the consolidated financial statements of Fransabank S.A.L. (the "Bank"), and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss, 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 a summary of significant accounting policies.

In our opinion, because of the significance of the matters described in the Basis for Adverse Opinion section of our report, the accompanying consolidated financial statements do not present fairly the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Adverse Opinion

1. As explained in Note 1, 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 December 31, 2021. IAS 29 requires that the consolidated 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 of the 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. Note 1 to the consolidated financial statements indicates that there is currently a high degree of uncertainty surrounding the Lebanese banking industry and Lebanese economy as a whole, triggered by the severe financial crisis and unprecedented economic downturn, the effects of the Covid-19 pandemic and the explosion at Beirut Seaport in August 2020. As the situation is rapidly evolving, the magnitude of the possible adverse effects on the Lebanese economy and the banking sector, remains unknown and gave rise to unusual practices that are not considered to be in the normal course of business in a non-crisis environment as disclosed under Note 1 to the consolidated financial statements.

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

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

3. Management has translated transactions and monetary assets and liabilities denominated in foreign currencies, to the Group's functional currency in accordance with the accounting policy on foreign currency transactions described in Note 3, using the official published exchange rates. As described in Note 1 to the consolidated financial statements, other exchange rates and exchange mechanisms were introduced by the Central Bank of Lebanon during the year ended December 31, 2021 and which differ significantly from the official published exchange rates. In translating transactions and monetary assets and liabilities denominated in foreign currencies, management did not determine the exchange rate at which future cash flows or balances could have been settled if those cash flows had occurred at the measurement date, which constitutes a departure from IFRSs. Had the Group translated transactions and monetary assets and liabilities denominated in foreign currencies at the exchange rate at which future cash flows or balances could have been settled if those cash flows had occurred at the measurement date, many elements of the accompanying consolidated financial statements, including disclosures, would have been materially impacted. The effects on the consolidated financial statements of this departure have not been determined.

4. Cash and central banks and investment securities, which are carried in the consolidated statement of financial position at LBP11,924billion and LBP4,433billion respectively (2020: LBP11,449billion and LBP5,453billion respectively), include balances held with the Central Bank of Lebanon and Lebanese government debt securities of LBP15,404billion (2020: LBP16,135billion). Management has not stated these balances net of allowances for expected credit losses which take into account the significant deterioration in credit quality which has occurred subsequent to initial recognition as a result of the continuing economic crisis in Lebanon and the government default on Eurobonds, which constitutes a departure from IFRSs. 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. Loans and advances to customers which are carried in the consolidated statement of financial position at LBP4,648billion (2020: LBP6,404billion) includes balances concentrated in Lebanon of LBP3,487billion (2020: LBP5,112billion). Management has not stated loans and advances to customers net of an allowance for expected credit losses which take into account the full impact of the economic crisis and political turmoil in Lebanon, which constitutes a departure from IFRSs. 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.

6. Provisions, which are carried in the consolidated statement of financial position at LBP176billion (2020: LBP95billion), include a provision for expected credit losses on financial guarantees and other commitments of LBP13billion (2020: LBP16billion). Management has not stated the allowance for expected credit losses on financial guarantees and other commitments by taking into account the full impact of the economic crisis and political turmoil in Lebanon, which constitutes a departure from IFRSs. We were unable to determine the adjustments necessary to this amount.

7. Investment securities, which are carried in the consolidated statement of financial position at LBP4,433billion (2020: LBP5,453billion) includes investment securities measured at fair value of LBP392billion (2020: LBP527billion), which are issued by the Lebanese government, the Central Bank of Lebanon and corporate entities mainly domiciled in the Republic of Lebanon. Management has stated the aforementioned investment securities 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 IFRSs. 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. Goodwill is carried in the consolidated statement of financial position at LBP48billion (2020: LBP49billion). Management did not determine if the recoverable amount of goodwill was higher than its carrying amount, which constitutes a departure from IFRSs. 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.

9. Investments in associates are carried in the consolidated statement of financial position at LBP19billion (2020: LBP27billion). These investments exhibited indicators of impairment at the reporting date. Management did not determine if the recoverable amount of the investments in associates exceeded their carrying amount, which constitutes a departure from IFRSs. 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.

10. Management has not disclosed the fair value of the Group's financial assets and financial liabilities at amortized cost, which constitutes a departure from IFRS. We were unable to determine the fair value of the Group's financial assets and financial liabilities at amortized cost which should be disclosed. Our opinion in the prior year was also modified in respect of this matter.

11. Cash and deposits with central banks, which is carried in the consolidated statement of financial position at LBP11,924 billion, includes deposits with central banks of LBP11,664billion. Management has not stated deposits with central banks inclusive of certain interest earned on those deposits, which constitutes a departure from IFRSs. The Group's records indicate that had management stated deposits with central banks inclusive of certain interest earned on those deposits, an amount of LBP9billion would have been required to increase cash and deposits with central banks. Accordingly, interest income would have been increased by LBP9billion, the net loss for the year would have been reduced by LBP9billion and total equity would have been increased by LBP9billion.

12. Other operating loss (net), which is reported in the consolidated statement of profit or loss at LBP126 billion, includes net foreign exchange losses of LBP23billion. We were unable to obtain sufficient appropriate audit evidence about the net foreign exchange losses because we could not inspect documentation relating to these losses. Consequently, we were unable to determine whether any adjustments to this amount were necessary.

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 consolidated 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.

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, 2021. Except for the matters described in *the Basis for Adverse Opinion* section of our report, we have determined that there are no other key audit matters to communicate in our report.

Responsibilities of 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 IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's 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 auditor's 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 the 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Beirut, Lebanon
July 15, 2022

DFK Fiduciaire du Moyen Orient

Deloitte & Touche

FRANSABANK S.A.L.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	December 31, 2021 LBP'000	December 31, 2020 LBP'000
Cash and deposits with central banks	5	11,923,827,672	11,448,820,963
Deposits with banks and financial institutions	6	730,940,979	620,164,357
Loans to banks	7	12,652,445	19,611,969
Loans and advances to customers	9	4,647,826,847	6,404,286,429
Investment securities	10	4,432,972,462	5,452,892,618
Customers' liability under acceptances	12	29,310,284	19,642,866
Investments in associates	13	18,679,873	26,976,784
Assets acquired in satisfaction of loans	14	164,045,998	211,458,470
Property and equipment	15	438,129,412	457,358,682
Intangible assets	15	15,446,394	19,268,599
Right of use assets	16	36,633,164	54,164,188
Goodwill	17	48,182,949	48,903,653
Other assets	18	187,350,665	165,781,206
		22,685,999,144	24,949,330,784
Assets classified as held for sale	8	21,921,318	23,849,831
Total assets		22,707,920,462	24,973,180,615

FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

Documentary and commercial letters of credit	41	168,941,023	166,099,563
Guarantees and standby letters of credit	41	457,181,062	545,800,349
Forward contracts	41	78,314,327	66,725,242
Fiduciary accounts		10,230,901	13,227,503

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

FRANSABANK S.A.L.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

LIABILITIES	Notes	December 31, 2021 LBP'000	2020 LBP'000
Deposits and borrowings from banks	19	149,272,833	191,135,918
Liabilities designated at fair value through profit or loss	20	-	58,943,352
Deposits from customers and related parties	21	18,598,810,468	20,376,179,159
Customers' liability under acceptances	12	29,310,284	19,643,815
Other borrowings	22	971,237,926	1,124,263,201
Lease liabilities	16	40,280,638	57,327,742
Other liabilities	23	272,504,977	355,055,298
Provisions	24	176,297,726	94,659,671
		20,237,714,852	22,277,208,156
Liabilities directly associated with Assets classified as held for sale	8	776,065	844,339
Total liabilities		20,238,490,917	22,278,052,495
EQUITY			
Issued capital - Ordinary shares	25	438,500,000	438,500,000
Issued capital - Preferred shares	26	34,000,000	34,000,000
Share premium - Preferred shares	26	478,550,000	478,550,000
Shareholders' cash contribution to capital	27	140,891,368	140,891,368
Non-distributable reserves	28	1,009,737,779	1,001,992,979
Investments fair value reserve	29	11,892,901	5,245,826
Foreign currency translation reserve		(126,857,904)	(184,228,494)
Retained earnings		475,960,069	629,817,573
Treasury shares	8	(8,380,776)	(9,333,522)
Loss for the year	31	(278,926,590)	(93,087,749)
Equity attributed to the owners of the Bank		2,175,366,847	2,442,347,981
Non-controlling interests	30	294,062,698	252,780,139
Total equity		2,469,429,545	2,695,128,120
Total Liabilities and Equity		22,707,920,462	24,973,180,615

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

FRANSABANK S.A.L.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Year Ended December 31, 2021 LBP'000	2020 LBP'000
Interest income	33	1,486,386,553	1,755,074,921
Less: Tax on interest	33	(125,444,421)	(141,805,415)
Interest income, net of tax		1,360,942,132	1,613,269,506
Interest expense	34	(315,599,014)	(809,720,245)
Net interest income		1,045,343,118	803,549,261
Fee and commission income	35	125,282,529	119,851,247
Fee and commission expense	36	(15,111,772)	(12,695,891)
Net fee and commission income		110,170,757	107,155,356
Net loss on financial assets at fair value through profit or loss	37	(213,915,370)	(365,343)
at fair value through profit or loss		(1,634,583)	(3,989,348)
Loss on derecognition of financial assets measured at amortized cost	10	(24,924,829)	(94,946,110)
Loss on derecognition of financial assets measured at fair value through other comprehensive income	10	(6,345,701)	(12,831,325)
Other operating loss (net)	38	(126,180,813)	(50,301,410)
Net financial revenues		782,512,579	748,271,081
Allowance for credit losses (net)	45	(514,881,920)	(351,536,288)
Discounts on loans and advances to customers	9	(42,636,480)	(18,949,177)
Net financial revenues after allowances for expected credit losses and discounts		224,994,179	377,785,616
Staff costs		(220,271,700)	(231,724,652)
Tax on revenues	24	-	(49,202,663)
Administrative expenses		(121,318,046)	(89,935,292)
Depreciation and amortization	39	(34,890,416)	(38,007,219)
Allowance for impairment of investment in associates	13	(13,345,533)	-
Provision for contingencies (net)	24	(94,160,103)	2,679,310
Loss before income tax		(258,991,619)	(28,404,900)
Income tax expense	23	(15,431,991)	(57,066,239)
Deferred tax on investees undistributed profits	31	(3,168,348)	(3,307,454)
Net loss for the year		(277,591,958)	(88,778,593)
Attributable to:			
Owners of the Bank	31	(278,926,590)	(93,087,749)
Non-controlling interests	31	1,334,632	4,309,156
		(277,591,958)	(88,778,593)

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

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

	Notes	Year Ended December 31, 2021 LBP'000	Year Ended December 31, 2020 LBP'000
Net loss for the year		(277,591,958)	(88,778,593)
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of equity securities at fair value through other comprehensive income	10	(3,384,986)	(433,497)
Change in property revaluation		-	-
Deferred tax		1,375,049	(97,344)
		(2,009,937)	(530,841)
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of debt securities at fair value through other comprehensive income		11,967,832	(4,419,424)
Currency translation adjustments		(30,860,801)	(29,492,159)
Deferred tax		(3,149,039)	1,597,358
		(22,042,008)	(32,314,225)
Total other comprehensive loss		(24,051,945)	(32,845,066)
Total comprehensive loss for the year		(301,643,903)	(121,623,659)
Attributable to:			
Equity holders of the Bank		(299,898,654)	(118,680,175)
Non-controlling interests		(1,745,249)	(2,943,484)
		(301,643,903)	(121,623,659)

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

FRANSABANK S.A.L.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Bank											
	Capital LBP'000	Preferred Shares and Share Premium LBP'000	Treasury Shares LBP'000	Shareholders' Cash Contribution to Capital LBP'000	Non-Distributable Reserves LBP'000	Investments Fair Value Reserves LBP'000	Foreign Currency Translation Reserve LBP'000	Brought Forward Retained Earnings LBP'000	Profit/ (Loss) For the Year LBP'000	Total LBP'000	Non-controlling interests LBP'000	Total LBP'000
Balance as at January 1, 2020	438,500,000	512,550,000	(8,287,659)	17,113,885	907,187,851	6,945,167	(162,319,547)	893,384,166	(171,411,993)	2,433,661,870	253,007,594	2,686,669,464
Total comprehensive loss for the year 2020	-	-	-	-	-	(3,570,026)	(22,022,400)	-	(93,087,749)	(118,680,175)	(2,943,484)	(121,623,659)
Allocation of 2019 loss	-	-	-	-	-	-	-	(171,411,993)	171,411,993	-	-	-
Transfer to non-distributable reserves	-	-	-	-	94,805,128	-	-	(94,805,128)	-	-	-	-
Shareholders' cash contributions to capital (Note 27)	-	-	-	123,777,483	-	-	-	-	-	123,777,483	-	123,777,483
Effect of exchange rates changes	-	-	(1,045,863)	-	-	-	-	-	-	(1,045,863)	-	(1,045,863)
Other movement	-	-	-	-	-	1,870,685	113,453	2,650,528	-	4,634,666	2,716,029	7,350,695
Balance as at December 31, 2020	438,500,000	512,550,000	(9,333,522)	140,891,368	1,001,992,979	5,245,826	(184,228,494)	629,817,573	(93,087,749)	2,442,347,981	252,780,139	2,695,128,120
Total comprehensive loss for the year 2021	-	-	-	-	-	6,808,856	(27,671,821)	-	(278,926,590)	(299,789,555)	(1,745,249)	(301,534,804)
Dividends paid	-	-	-	-	-	-	-	-	-	-	(9,902,693)	(9,902,693)
Allocation of 2020 Profit	-	-	-	-	-	-	-	(93,087,749)	93,087,749	-	-	-
Transfer to non-distributable reserves	-	-	-	-	34,061,204	-	-	(34,061,204)	-	-	-	-
Effect of Sale of Subsidiary (Note 8)	-	-	-	-	(21,202,405)	-	66,643,524	(41,292,040)	-	4,149,079	(1,794,919)	2,354,160
Effect of exchange rates changes	-	-	952,746	-	(4,286,657)	-	-	-	-	(3,333,911)	-	(3,333,911)
Effect of changes in ownership interests in subsidiaries (Note 8)	-	-	-	-	(1,317,000)	-	18,544,048	-	-	17,227,048	54,483,000	71,710,048
Effect of change in deferred taxes	-	-	-	-	-	-	-	14,541,290	-	14,541,290	-	14,541,290
Other movement	-	-	-	-	489,658	(161,781)	(145,161)	42,199	-	224,915	242,420	467,335
Balance as at December 31, 2021	438,500,000	512,550,000	(8,380,776)	140,891,368	1,009,737,779	11,892,901	(126,857,904)	475,960,069	(278,926,590)	2,175,366,847	294,062,698	2,469,429,545

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

FRANSABANK S.A.L.
CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year Ended December 31, 2021 LBP'000	2020 LBP'000
Cash flows from operating activities:			
Loss for the year before tax		(258,991,619)	(28,404,900)
Adjustments for:			
Unrealized loss on investments at fair value through profit or loss	37	225,982,434	6,216,738
Share in profit/ (losses) of associates	38	(5,114,426)	71,925,190
Allowance for impairment of investment in associates		13,345,533	-
Loss from disposal of subsidiary		12,548,280	-
Depreciation and amortization	39	34,890,416	38,007,219
Allowance for expected credit losses	45	514,881,920	351,497,324
Loans written-off		-	94,713
Discounting loans and advances to customers		42,636,480	18,949,177
Tax on revenues		-	49,202,663
Loss on derecognition of financial assets measured at amortized cost		24,924,829	94,946,110
Loss on derecognition of financial assets measured at comprehensive income		6,345,701	12,831,325
Gain on disposal of property and equipment	38	(198,878)	(715,234)
Gain on disposal of assets acquired in satisfaction of loans	38	(29,076,661)	(42,912,915)
Provisions/(Write-backs)	24	101,864,671	(10,031,021)
Dividend income	37, 38	-	(376,144)
		648,038,680	561,230,245
Net decrease in placements with banks		1,174,684,295	590,087,974
Net decrease in loans to banks	7	6,919,504	17,802,652
Net decrease in loans and advances to customers	9	1,616,600,860	2,171,821,811
Net decrease in investment securities	10	312,472,500	1,606,054,131
Net (increase)/decrease in other assets	18	(8,313,123)	45,177,677
Net decrease in deposits and borrowings from banks	19	(41,792,939)	(77,783,843)
Net decrease in customers' deposits at FVTPL		(58,596,447)	(41,114,391)
Net decrease in customers' deposits at amortized cost	21	(1,738,888,963)	(3,075,682,090)
Net decrease in other liabilities	23	(108,453,566)	(163,687,045)
Proceeds from disposal of foreclosed assets		124,235,272	99,216,959
Settlements of provisions	24	(2,266,437)	(7,940,288)
		1,960,639,636	1,725,183,792
Dividends received		-	522,678
Income tax paid		(27,271,562)	(9,084,371)
Net cash generated by operating activities		1,933,368,074	1,716,622,099
Cash flows from investing activities:			
Proceeds from disposal of tangible and intangible assets		2,023,650	2,852,194
Net cash inflows on transfer shares in subsidiaries		70,868,399	-
Acquisition of tangible and intangible assets	15,16	(23,655,277)	(19,533,322)
Net cash generated by/ (used in) investing activities		49,236,772	(16,681,129)
Cash flows from financing activities:			
Cash contribution to capital	27	-	123,777,483
Decrease in subordinated loan		-	(5,619,010)
Net decrease in other borrowings	19	(152,116,370)	(381,059,818)
Settlement of lease liabilities	16	(7,415,187)	(8,636,768)
Dividends paid	32	(9,902,693)	-
Net cash used in by financing activities		(169,434,250)	(271,538,113)
Net increase in cash and cash equivalents		1,813,170,596	1,428,402,857
Unrealized currency translation adjustments		(26,182,324)	(20,143,867)
Cash and cash equivalents at the beginning of year		2,796,924,173	1,388,665,183
Cash and cash equivalents at the end of year	42	4,583,912,445	2,796,924,173

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

1. GENERAL INFORMATION

Fransabank S.A.L., (the "Bank"), is a Lebanese joint stock company incorporated in 1921 registered in the Trade Register under No. 25699 and in the Central Bank of Lebanon list of banks under No. 1. The consolidated financial statements of the Bank comprise the financial statements of the Bank and those of its subsidiaries (collectively the "Group"). The Group is primarily involved in investment, corporate and retail banking.

The Bank's headquarters are located at Fransabank Center, Hamra, P.O. Box 11-0393 Beirut, Lebanon.

No ultimate direct or indirect company controls the Group. The Group is controlled by individual shareholders of the Kassar family members.

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

Investee	Country of Incorporation	Ownership Interest 2021	Ownership Interest 2020	Business Activity
		%	%	
Fransa Invest Bank S.A.L. (b)	Lebanon	99.99	99.99	Specialized Bank
Fransabank France S.A.	France	79.21	79.21	Banking
Lebanese Leasing Company S.A.L.	Lebanon	99.99	99.99	Financial Institution
Switch and Electronics Services S.A.L.	Lebanon	99.70	99.70	Financial Services
Sogefon S.A.L.	Lebanon	99.88	99.88	Real Estate Company
Fransabank Insurance Services Co. S.A.L.	Lebanon	99.70	99.70	Insurance
Fransabank El-Djazair SPA	Algeria	52.75	70.33	Banking
BLC Bank S.A.L. and its subsidiaries (BLC Services S.A.L. and BLC Finance S.A.L.	Lebanon	97.92	97.92	Banking
Express S.A.R.L.	Lebanon	96.70	98.35	Restaurant
Fransabank OJSC (a)	Belarus	93.17	93.17	Banking
The Kuwaiti Lebanese Company for Real Estate Services S.A.L.(liquidated in 2020)	Lebanon	-	-	Real Estate
F&B Holding S.A.L.	Lebanon	100.00	100.00	Holding
Al Maktab real estate	Lebanon	100.00	100.00	Real Estate

(a) On December 29, 2021, the bank sold its investments in Fransabank OJSC (Note 8).

(b) On April 26, 2021, the Board of Directors resolved to merge its subsidiary Fransa Invest Bank S.A.L. On March 24,2022, the bank received Central Bank of Lebanon preliminary approval.

Financial information of subsidiaries that have material non-controlling interests is provided under Note 30.

The Group has ownership interest in the following associates:

Investee	Country of Incorporation	Interests Held 2021	Interests Held 2020	Business Activity
		%	%	
Bancassurance S.A.L.	Lebanon	60.00	60.00	Life Insurance
United Capital Bank PLC	Republic of Sudan	20.00	20.00	Islamic Banking
International Payment Network S.A.L.	Lebanon	20.30	20.30	Payment Network

Information on the Group's associates is provided under Note 13.

Information on other related party relationships is provided under Note 41.

1.1 The Macro Economic Environment

The Group's operations are mostly carried in Lebanon that 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 along with their related adverse impact on the business community as a whole and the banking system in particular, mainly: social unrest and business disruption across the country, series of downgrades to the level of default ranking for private and sovereign credit risk by all major rating agencies, restrictions on cash withdrawals and movement of funds in foreign currencies, non-ability to transfer funds from local bank accounts in foreign currency to foreign accounts with correspondent banks, and the Lebanese Republic default on its Eurobonds due on March 9, 2020 and then the decision to discontinue payments on all of its outstanding USD-denominated Eurobonds. The Eurobonds default precludes access to international markets for foreign financing, while the domestic banking system is severely impaired.

The dry up of the dollar inflow to the country was accompanied with systemic failures across banking, debt, exchange rate and the collapse of basic services. A significant portion of the Lebanese banks holdings consist of sovereign lending, including deposits with Central Bank of Lebanon, which made banks unable to meet their dollar obligations to customers and international lenders. Banks have imposed unofficial strict capital controls, ceased financing activities and stopped attracting deposits. The banking sector endures in a segmented payment system that differentiates between the pre-crisis 'legacy dollar' (onshore dollars) deposits and the post crisis 'fresh dollar' (offshore dollars) inflows, yet minimal. The legacy dollar deposits are subject to sharp deleveraging through de facto lirafication. The difficulty in accessing foreign currencies led to the emergence of a parallel market to the official peg whereby the price to access foreign currencies increased, deviating significantly from the official peg of 1507.5 LBP/USD. The Lebanese currency continues to lose value as inflation rates remain in the triple digits. This has resulted in an uncontrolled rise in prices and in the consumer price index; lifting import subsidies on food, fuel and medication; loss of confidence in the economy and deterioration in the economic fundamentals. The financial crisis has been intensified by the COVID-19 and the devastating explosion at the Beirut seaport on August 4, 2020 causing severe property damages across a wide area of the capital along with a large number of casualties.

During 2020 in an attempt to control the high rise in prices and to compensate for the loss in the purchasing power of the Lebanese people, the Central Bank of Lebanon, through several circulars, introduced several measures including the subsidy of Tier 1 essential imports (fuel oil, medicine and wheat) at the official exchange rate (1507.5 LBP/USD) and the subsidy of Tier 2 essential imports as defined by the Central Bank of Lebanon. Both subsidies were discontinued during 2021. Further measures introduced by the Central Bank of Lebanon during 2020 included the platform rate to be used in specific circumstances and for the purpose of allowing depositors to withdraw small amounts of cash from their pre-crisis foreign currency bank accounts based on monthly limits set by each bank separately.
During 2021 the Central Bank of Lebanon introduced Basic Circular # 157 "Exceptional Procedures on Foreign currency Operations" enacting the legal and regulatory framework of the electronic 'Sayrafa' foreign exchange trading platform which should be used by banks operating in Lebanon to process customers' foreign exchange transactions (buy and sell).
However, the above measures remain unsustainable and despite these efforts, inflation continues to increase at an accelerating pace, eroding the real value of the local currency and "local" foreign currency bank accounts, and tossing Lebanon in hyperinflation and major economic collapse.

Lebanese Government Financial Recovery Plan
On May 1, 2020 the Lebanese government addressed a formal request for support from the International Monetary Fund (IMF) as part of its Financial Recovery Plan (the 'Plan') approved on April 30, 2020, which included among other items, reviewing the peg policy, restructuring of the government debt, restructuring of the financial system and the banking sector, and international financial assistance. This Plan was challenged by the Association of Banks in Lebanon (ABL) and by certain political parties and has not been implemented.

On April 7, 2022 the Lebanese government signed a staff-level agreement with the IMF for a 46-month extended fund facility, under which the Lebanese government has requested access to the equivalent of around USD 3 billion. This agreement is subject to the approval of the IMF management and its Executive Board, and this approval is contingent on enacting a slew of economic reforms and restructuring of the financial sector, including:

i. Cabinet/ parliamentary approval of a bank restructuring strategy enabling legislation in conjunction with an audit of the largest 14 banks;
ii. Parliamentary approval of a reformed bank secrecy law;
iii. Completion of the Central Bank of Lebanon's audit;
iv. A restructuring of the outstanding commercial debt (including Eurobonds);
v. Parliamentary approval of the 2022 budget; and
vi. Unification by the Central Bank of Lebanon of the exchange rates for authorized current account transactions.

On May 20, 2022 the Council of Ministers endorsed a financial recovery roadmap which includes several measures to secure international aid and unlock funds from the IMF discussed above. The roadmap includes the following:

i. Full audit on the Central Bank's forex financial position by July 2022.
ii. Cancelling a large part of the Central Bank of Lebanon obligations in foreign currency to commercial banks.
iii. Audit of the largest 14 commercial banks, representing 83% of total assets.
iv. Viable banks should be recapitalized with significant contributions from respective shareholders and large depositors. The plan said it would protect small depositors 'to the maximum extent possible' in each viable bank, without specifying the minimum protected amount.
v. Dissolving non-viable banks by November 2022.

Following the parliamentary elections on May 15, 2022 the Council of Ministers has lost its decision-making powers and a new Cabinet is yet to be formed. Parliamentary approvals for the matters indicated above are yet to be endorsed, including the capital control bill which was repeatedly opposed in the past.

The financial recovery plan and roadmap were severely criticized by the Association of Banks in Lebanon (ABL) and the assumptions made.

1.2 Central Bank of Lebanon (BDL) 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 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:
    Foreign currency placements with BDL, including certificates of deposits: 1.89%
    Local currency deposits with BDL: 0%
    Lebanese government bonds in foreign currencies: 45%
    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.
  - By February 28, 2021 (extended), banks should complete a 20% increase of the common equity tier I capital as at December 31, 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.
  - 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.
  - Banks are required to submit to a comprehensive plan to Central Bank, 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, 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 July 1, 2017 and exceeding the equivalent of USD 500,000. Funds received will be deposited in special saving accounts for 5 years and will not be subject to compulsory reserve requirements.
  - Banks should secure by February 28, 2021, offshore foreign currency deposits equivalent to a minimum of 3% of their total foreign currency as at July 31, 2020.

- *Intermediate Circular 575* approving banks to book exceptionally one third of the capital gains arising from the revaluation of assets received in settlement of debts, under Tier II capital subject to the approval of the BDL Central Council on the revaluation methodology and raising capital before December 31, 2021 as follows:
  - Add a maximum of one third of the revaluation gains under Tier 2 capital,
  - Increase common equity Tier I capital in cash by an amount at least equivalent to the amount of the revaluation gains booked under Tier II capital.

Monetary policies and socio-economic support:

- *Intermediate Circular 536:* Stipulates the following measures:
  - Interest earned on by banks on USD Certificates of Deposits issued by BDL, are received 50%-50% in USD and LBP respectively. Similarly, interest on customers deposits denominated in foreign currencies are paid 50%-50% in the account currency and LBP respectively.
  - Banks should comply with interest rate ceilings on customer deposits capped at 5% and 8.5% on foreign currency and LBP denominated deposits respectively.
  - The Beirut Reference Rates (BRR) should reflect the lower deposit rates.
- *Basic Circular 150* exempting banks from compulsory reserve requirements on fresh foreign currency deposits received after April 9, 2020, subject to conditions.
- *Intermediate Circulars 547 and 552* 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 152 and Intermediate Circular 569* 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* 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).

Foreign exchange policies:

- *Basic Circular 151 "Cash Withdrawals from Foreign Currency Bank Accounts"* dated April 21, 2020 provides withdrawals of pre-crisis customers' deposits in foreign currencies with banks, at the rate of 3,900 LBP / USD, which was then increased to 8,000 LBP / USD and within a monthly limit of USD 3,000 by bank account. Effective until June 30, 2022.

- Basic Circular 157 *"Exceptional Procedures on Foreign currency Operations"* issued on May 10, 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. The bid/ask spread that banks are allowed to achieve, is capped at 1% of the purchase price. The Central Bank of Lebanon may at its sole discretion, interfere on the Platform to stabilize the exchange rate. The 'Sayrafa' platform is not available for trading onshore pre-crisis foreign currency bank accounts as these are subject to unofficial capital control.

  The average daily trading exchange rates and daily volume of foreign currency traded on the Sayrafa platform are published on the Central Bank of Lebanon website.

  Closing average exchange rate on December 31, 2021: USD 1 = LBP 22,700
  Average exchange rate during the period from May 10, 2021 to December 31, 2021: USD 1 = LBP 16,266

  Closing average exchange rate on December 31, 2020: Not applicable.
  Average exchange rate during the year ended December 31, 2020: Not applicable.

- Basic Circular 158 *"Exceptional Measures for the Gradual Withdrawal of Deposits in Foreign currencies"* issued on June 8, 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, noting that 50% of the amount will be paid in cash and 50% will be credited to a payment card.

  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, banks can use their foreign liquidity subject computed as per BDL Basic Circular 154 requirements on the condition they reconstitute it by December 31, 2022.

1.3 The Bank's Financial particulars

1.3.1 Foreign exchange

The Bank's monetary assets and liabilities in foreign currency, were converted in Lebanese Pound at the official exchange rate peg of USD1 = LBP1,507.5 as published by the Central Bank of Lebanon on a monthly basis. Since the last quarter of 2019, several exchange rates emerged deviating significantly from each other and from the official peg as at December 31, 2021 and December 31, 2020 as discussed under Note 1.2, in addition to the estimated exchange rates detailed in the government's Financial Recovery Plan.

The existence of multiple foreign exchange rates as well as the accessibility to such rates, necessitates the review of the appropriate exchange rates that entities should use in accounting for and reporting their foreign currency transactions. The judgment of which foreign exchange (FX) rate to use depends on the official FX rate at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date. This should take into account the specific facts and circumstances relating to each transaction or balance.

In the light of uncertainties, management did not determine the rates at which future cash flows represented by the transaction or balance could have been settled depending on its source and nature, if those cash flows had occurred at the measurement date. Accordingly, the Bank's transactions and monetary assets and liabilities in foreign currencies, whether onshore or offshore, were converted in Lebanese pound at the official exchange rate peg of USD1 = LBP1,507.5.

As the official exchange rate significantly deviates from the exchange rates in the parallel markets, this does not represent a reasonable estimate of expected cash flows that would have to be generated/used from the realization of such assets or the payment of such liabilities at the date of the transaction or of the financial statements. The valuation of the Bank's assets and liabilities in foreign currencies at a different rate is expected to significantly impact the Bank's financial statements once the regulatory authorities adopt a free-floating exchange rate policy.

The substantially overvalued official exchange rate along with the restrictions imposed on outbound payments and the large amounts of offshore liquidity needed by the Bank, has led to significant costs recognized during 2021 and which amounted to LBP23billion (LBP41.1billion in 2020) (Note 38).In addition, the bank recognized a foreign exchange losses in the amount of LBP79.6billion to cover local foreign currency position gap.

1.3.2 Hyperinflation in Lebanon

IAS 29 '*Financial Reporting in Hyperinflationary Economies*' does not prescribe when hyperinflation arises, however it does provide characteristics of an economic environment of a country which indicate hyperinflation and allows judgement as to when restatement of financial statements becomes necessary. Characteristics of the economic environment of a country which indicate the existence of hyperinflation include:

- the cumulative inflation rate over three years approaches, or exceeds 100%;
- the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power;
- the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency;
- sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short; and
- interest rates, wages, and prices are linked to a price index.

Since the year 2020, the economic environment in Lebanon experienced the acceleration of inflation indices, a three-year cumulative inflation rate exceeding 100%, and the significant devaluation of the Lebanese pound. The Lebanese national statistics office reported 3-year and 12-month cumulative rates of inflation of 753% and 224%, respectively, as of December 31, 2021 (2020: 173% and 146% respectively). 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 December 31, 2020.

The basic principles in IAS 29 is that the financial statements of an entity that reports in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current at the balance sheet date. Comparative figures for prior period(s) should be restated into the same current measuring unit.

Restatements are made by applying a general price index. Items such as monetary items that are already stated at the measuring unit at the balance sheet are not restated. Other items are restated based on the change in the general price index between the date those items were acquired or incurred and the balance sheet date.

A gain or loss on the net monetary position is included in net income. The restated amount of a non-monetary position is reduced, in accordance with appropriate IFRSs when it exceeds its recoverable amount.

The Bank has not applied the principles of IAS 29 in the preparation of these financial statements given, among other considerations, the significant divergence in market perception of the exchange rate in comparison to the official exchange rate; consensus on the use of same general price index across entities that report in Lebanese pound; and any views of relevant regulators including taxation

1.3.3 Exposure to financial instruments

As at December 31, 2021, the Bank's net credit exposure to Lebanese sovereign debt, including BDL, represented approximately 68% of total assets (2020: 64%).

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 Bank against BDL and sovereign exposures is described under Note 44.

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 Bank'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 which has further deteriorated as a result of the explosion in the seaport of Beirut and Covid-19 pandemic. Given the high level of uncertainties, Management is unable to estimate in a reasonable manner the impact of these matters on the Bank's financial position.

Fair values of financial assets originated in Lebanon have been determined by the Bank 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 Bank 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 Bank'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 Bank's Management's current strategy is to continue operations with limited scope of services and transactions, similarly to the banking sector as a whole, as they have since October 17, 2019.

As disclosed in Note 44 to these financial statements, the Bank's capital adequacy ratio as at December 31, 2021 and 2020, 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.

1.3.4 Litigations and claims

Until the above uncertainties are resolved, the Bank is continuing its operations as performed since 17 October 2019 and in accordance with the laws and regulations. Unofficial capital controls and inability to transfer foreign currencies to correspondent banks outside Lebanon are exposing the Bank to litigations that are dealt with on a case-by-case basis when they occur. The Bank 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, management considers that they may affect negatively the offshore liquidity of the Bank, its foreign assets and its foreign currency mismatch. as disclosed in Note 44. The amount cannot be determined presently.

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSS)

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

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations that are effective for an annual period that begins on or after January 1, 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Interest Rate Benchmark Reform "phase two" amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16	The amendments enable entities to reflect the effects of transitioning from benchmark interest rates, such as interbank offer rates (IBORs) to alternative benchmark interest rates without giving rise to accounting impacts that would not provide useful information to users of financial statements. The amendments affect many entities and in particular those with financial assets, financial liabilities or lease liabilities that are subject to interest rate benchmark reform and those that apply the hedge accounting requirements in IFRS 9 or IAS 39 to hedging relationships that are affected by the reform. - The amendments apply to all entities and are not optional. - The amendments are effective for annual periods beginning on or after January 1, 2021 with early application permitted.
19-Related Rent Concessions beyond June 30, 2021 [IFRS 16]	In May 2020 the International Accounting Standards Board (IASB) amends IFRS 16, which relieves a lessee from assessing whether a COVID-19-related rent concession is a lease modification, that applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2021. In March 2021, IASB extended the availability of the practical expedient to rent concessions for which any reduction in lease payments affects payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met. This is the only change made to the practical expedient. - The amendments are effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted.

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

The following IFRS have been issued but are not yet effective and have not been early adopted by the Group. The Group intends to adopt them when they become effective.

IFRS 17 *Insurance Contracts*	The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.
Amendments to IFRS 3 *Reference to the Conceptual Framework*	The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022.

	Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same or earlier.
Amendments to IAS 16 *Property, Plant and Equipment—Proceeds before Intended Use*	The amendments are effective for annual periods beginning on or after January 1, 2022, with early application Permitted.
Amendments to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*	The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.
Annual Improvements to IFRS Standards 2018-2020 Cycle	*Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture.* The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted.
Amendment to IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9 The amendment is effective for annual periods beginning on or after January 1, 2023.
Amendment to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies the amendment is effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 8	Definition of accounting estimates The amendment is effective for annual periods beginning on or after January 1, 2023.

Management anticipates that these new Standards, Interpretations and amendments will be adopted in the Company's financial statements for the period of initial application and adoption of these new Standards, Interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The consolidated financial statements are presented in Lebanese Pound (LBP) which is the Group's reporting currency. The primary currency of the economic environment in which the Group operates (functional currency) is the Lebanese Pound. All values are rounded to the nearest thousands, except when indicated otherwise.

The consolidated financial statements have been prepared on the historical cost basis except for the following that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below:

- Land and buildings acquired prior to 1999 are measured at their revalued amounts based on market prices prevailing during 1999 as permitted by local regulations, to compensate for the inflationary effects prevailing in the earlier years.
- Financial assets and liabilities at fair value through profit and loss and other comprehensive income.
- Derivative financial instruments.
- Assets and liabilities classified as held for sale.

Assets and liabilities are grouped according to their nature and presented in the consolidated statement of financial position in an approximate order that reflects their relative liquidity.

Summary of significant accounting policies

Following is a summary of the Group's significant accounting policies:

A. Basis of consolidation

The consolidated financial statements of Fransabank S.A.L. incorporate the financial statements of the Bank and enterprises controlled by the Bank (its subsidiaries) as at the reporting date. Control is achieved when the Bank:

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

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

When the Bank has less than a majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Bank's voting rights and potential voting rights.

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 consolidated statement of comprehensive income from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

Total comprehensive income of subsidiaries is attributed to the owners 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 the subsidiaries to bring their accounting policies into line with those used by the Bank.

All intra-group transactions, balances, income and expenses (except for foreign currency transaction gains or loss) are eliminated on consolidation. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Changes in the Bank's ownership interests in subsidiaries that do not result in the Bank losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Bank's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Bank.

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

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 are expensed as incurred in profit or loss.

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, a bargain purchase gain is recognized immediately in profit or loss. Where applicable, adjustments are made to provisional values of recognized assets and liabilities related to facts and circumstances that existed at the acquisition date. These are adjusted to the provisional goodwill amount. All other adjustments including above adjustments made after one year are recognized in profit and loss except to correct an error in accordance with IAS 8.

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. Non-controlling interests in business acquisitions transacted so far by the Group were initially measured at the non-controlling interests' proportionate share of net assets acquired.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

C. 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 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 official exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period when this is a reasonable approximation. Exchange differences arising 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.

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 closing rate.

D. 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.

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

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

- If fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognized in profit or loss on initial recognition (i.e. day 1 profit or loss);
- In all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day one 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.

Exchange of debt 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 consideration 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.

E. Financial assets

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

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

Specifically:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortized cost;
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI;
- All other debt instruments (e.g. debt instruments managed on a fair value basis or held for sale) and equity investments are subsequently measured at FVTPL.

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

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, in OCI; and
- The Group may irrevocably designate a debt instrument that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Debt instruments at amortised cost or at FVTOCI

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and 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 derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

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

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

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

Financial assets at FVTPL
Financial assets at FVTPL are:

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

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

Reclassifications

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

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 recognised on equity investments.

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

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

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

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

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

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

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

Credit-impaired financial assets

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

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

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

Purchased or originated credit impaired (POCI) financial assets

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Group recognises all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in profit or loss. A 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 the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- the borrower is unlikely to pay its credit obligations to the Group in full.

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

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

Significant increase in credit risk

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

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

Modification and derecognition of financial assets

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

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

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

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

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

Write-off

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

Presentation of allowance for ECL in the statement of financial position

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

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

F. Equity and financial liabilities

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.

Equity instruments

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

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

Financial liabilities

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.

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire hybrid (combined) contract to be designated as at FVTPL.

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

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

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

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

Fair value is determined as described under Note 47.

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 amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised 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 derecognises 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 derecognised and the consideration paid and payable is recognised 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.

G. Offsetting

Financial assets and liabilities are set-off and the net amount is presented in the 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.

H. Derivative financial instruments

Derivatives, such as foreign exchange forward contracts, interest rate swaps, cross currency interest rate swaps and credit default swaps, are initially recognised 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 recognised 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 recognised 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 recognised as a financial asset whereas a derivative with a negative fair value is recognised 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 the Group 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 recognised less, where appropriate, cumulative amount of income recognised in accordance with the Group's revenue recognition policies.

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

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

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 amortised from equity to profit or loss on a rational basis (e.g. straight-line) over the term of the hedging relationship.

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

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at FVTOCI in which case it is recognised 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 recognised 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 recognised in profit or loss, they are recognised 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 amortised cost or at FVTOCI) arising from the hedged risk is amortised 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 recognised 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 recognised 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 recognised 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 recognised in OCI and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain/loss accumulated in equity is reclassified and recognised immediately in profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain/loss on the hedging instrument relating to the effective portion of the hedge is recognised 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. 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 acquired prior to 1999, are stated at historical cost, less accumulated depreciation and any impairment loss.

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

Buildings	2% - 5%
Office improvements and installations	6% - 20%
Furniture, equipment and machines	8% - 20%
Computer equipment	20% - 33%
Vehicles	10% - 20%

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.

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 expensed when incurred.

N. Assets acquired In satisfaction of loans

Real estate properties acquired through the enforcement of collateral over loans and advances are stated at cost less any accumulated impairment losses. The acquisition of such assets is regulated by the local banking authorities who require the liquidation of these assets within 2 years from the Banking Control Commission approval on the acquisition. 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 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 to be used for capital increase 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 "Reverses 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.

P. Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Q. Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, as at the balance sheet date. Gain or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss. Valuations are carried out by independent qualified valuers on the basis of current market values.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to stock of property, the property's deemed cost for subsequent accounting is its fair value at the date of change in use.

The fair value 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 statement of profit or loss.

R. 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.

S. 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.

T. Interest income
Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at FVTPL are recognised in 'Net interest income' as 'Interest income' and 'Interest expense' in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period, see 'Net (loss)/income from financial assets at fair value through profit or loss'.

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

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

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

U. 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.

V. Income 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.

W. 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.

X. Income tax

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

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

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the statement of financial position and the corresponding tax base used in the computation of taxable profit. 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.

Y. 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.

Z. Leases

The Group assesses whether a 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 (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

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

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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.

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 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 assets are presented as a separate line in the statement of financial position. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

AA. Cash and cash equivalents

Cash and cash equivalents comprise balances with Central Banks and deposits with banks and financial institutions with contractual maturities of three months or less and which are subject to insignificant risk of changes in fair values.

AB. Dividends on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the General Assembly of the Group's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group.

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

AC. Deferred restricted contributions

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

A. Critical accounting judgments in applying the Bank'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. The Board of Directors are monitoring the situation and believe that they are taking all possible attainable measures under these circumstances to maintain the viability of the Group and continue operations in the current business environment.

Deferred tax assets:
Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized within the regulatory expiration period. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. When assessing if it is probable that future taxable profits will be available, management considers all available evidence, both negative and positive.

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 45 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. The Bank 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 46 for more details on ECL.

B. Key Sources of estimation uncertainty

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

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

Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario:
When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

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

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

Determining fair values:
The determination of fair value for financial assets for which there is no observable market price requires the use of valuation techniques as described in Note 48. For financial instruments that are traded infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

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

5. CASH AND CENTRAL BANKS

	December 31, 2021		December 31, 2020	
	Balance	of which Compulsory/ Regulatory Deposits	Balance	of which Compulsory/ Regulatory Deposits
	LBP'000	LBP'000	LBP'000	LBP'000
Cash on hand	259,674,856	-	154,368,163	-
Central Bank of Lebanon:				
Current accounts	2,658,002,520	411,681,240	1,657,317,769	358,116,154
Term placements	5,334,145,401	1,730,018,833	5,883,143,168	2,010,842,792
Term placements subject to leverage arrangements (Note 11)	3,236,898,458	-	3,399,223,692	-
Other Central Banks:				
Current accounts	327,152,289	-	12,402,983	-
Term placements	-	-	204,073,869	-
Accrued interest receivable	173,474,159	-	179,729,205	-
	11,989,347,683	2,141,700,073	11,490,258,849	2,368,958,946
Allowance for expected credit losses (Note 45)	(65,520,011)	-	(41,437,886)	-
	11,923,827,672	2,141,700,073	11,448,820,963	2,368,958,946

Compulsory deposits under current accounts with Central Bank of Lebanon are in Lebanese Pounds and non-interest earning. These deposits are computed on the basis of 25% and 15% of the average weekly sight and term customers' deposits in Lebanese Pounds subject to certain exemptions, in accordance with local banking regulations. These deposits are not available for use in the Group's day-to-day operations.

Regulatory deposits under term placements with Central Bank of Lebanon are made in accordance with local banking regulations which require banks to maintain interest earning placements in foreign currency to the extent of 14% (2020: 15%) of customers' deposits in foreign currencies, certificates of deposit and borrowings acquired from non-resident financial institutions.

During the year 2020, the Group liquidated term placements with the Central Bank of Lebanon denominated in Lebanese Pound with a total nominal value of LBP405billion, resulted in aggregate losses in the amount of LBP30.58billion of which LBP13.77billion is recognized under "Loss on derecognition of financial assets measured at amortized cost" in the consolidated statement of profit and loss and the remaining losses in the amount of LBP16.81billion are deferred over the period remaining to maturity of the acquired term placements.

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

	December 31, 2021 LBP'000	December 31, 2020 LBP'000
Items for collection	667	65,334
Current accounts with banks and financial institutions	673,029,882	559,636,074
	673,030,549	559,701,408
Term placements with banks and financial institutions	4,017,736	52,468,733
Term placements with related banks and financial institutions	56,990,923	8,635,559
Blocked margins with banks and financial institutions	814,742	814,742
Accrued interest receivable	37,104	50,809
	61,860,505	61,969,843
	734,891,054	621,671,251
Allowance for expected credit losses (Note 45)	(3,950,075)	(1,506,894)
	730,940,979	620,164,357

Above balances are allocated between onshore and offshore accounts as follows:

	December 31, 2021 LBP'000	December 31, 2020 LBP'000
Onshore	3,199,642	151,374,639
Offshore	731,691,412	470,296,612
	734,891,054	621,671,251

7. LOANS TO BANKS

Loans to banks are reflected at amortized cost and consist of the following:

	December 31, 2021 LBP'000	December 31, 2020 LBP'000
Performing:		
Loans to banks	9,400,000	17,200,000
Accrued interest receivable	51,246	91,695
Allowance for expected credit losses (Note 45)	(177,750)	(904,191)
	9,273,496	16,387,504
Credit Impaired:		
Loan to a bank	46,583,658	47,619,555
Allowance for expected credit losses (Note 45)	(43,204,709)	(44,395,090)
	3,378,949	3,224,465
	12,652,445	19,611,969

8. SALE / ACQUISITION OF SHARES IN SUBSIDIARIES

In 2017 the Group committed to a plan to sell its controlling interest in USB Bank PLC (Cyprus). In August 2018, the BLC Bank's Board of Directors approved the sale and the Group received a total consideration of LBP98 billion (EUR57 million) in 2019 representing the net assets of USB Holdings PLC excluding the following which continue to be presented as a disposal group held for sale:

	December 31,	
	2021	2020
	LBP'000	LBP'000
Investment properties	20,995,135	22,842,167
Deferred assets adjustments to reach fair value less cost to sell	926,183	1,007,664
Assets held for sale	21,921,318	23,849,831
Other liabilities	776,065	844,339
Liabilities associated with assets held for sale	776,065	844,339

Proceeds from the sale of these properties will be collected by the Group upon completion of formalities.

In conjunction with the sale, BLC Bank S.A.L. bought-back 10% of its own shares that were owned by Sehnaoui Holding for a total consideration of LBP74.4billion. The effect of BLC's treasury shares on the Group consolidated financial statements was LBP8.48billion reflected under Equity and calculated as follows:

	LBP'000
Total equity at acquisition date (January 1, 2019)	659,232,505
Percentage of acquired shares	10%
Book value of acquired shares	65,923,250
Total consideration paid	(74,403,762)
Effect of BLC's treasury shares	(8,480,512)
Effect of exchange rate changes	(853,010)
Balance as at December 31, 2020	(9,333,522)
Effect of exchange rate changes	952,746
Balance as at December 31, 2021	(8,380,776)

a) During 2021, the Bank sold its investment in Fransabank OJSC in Belarus for a total consideration of USD10million (LBP15billion). The Group's share in the subsidiary's financial results for the year 2021 was consolidated in group's statement of profit or loss. Loss from disposal of subsidiary amounted to LBP12.5billion reported under "Other operating (loss)/income, net" in the statement of profit or loss.

b) During 2020, the Bank acquired 98.67% ownership interest in Salvini Real Estate for a total consideration of LBP4.37billion, which was sold for a consideration of LBP4.65billion and resulted in a gain of LBP276million reported under "Other operating (loss)/income, net" in the statement of profit or loss.

9. LOANS AND ADVANCES TO CUSTOMERS

	December 31, 2021			December 31, 2020		
	Gros Amount Net of Interest in Suspense LBP'000	Allowance for Expected Credit Losses LBP'000	Carrying Amount LBP'000	Gross Amount Net of Interest in Suspense LBP'000	Allowance for Expected Credit Losses LBP'000	Carrying Amount LBP'000
Stage 1 and 2						
Retail customers	1,532,624,820	(65,037,740)	1,467,587,080	2,063,844,817	(34,950,679)	2,028,894,138
Corporates	2,343,883,090	(145,939,919)	2,197,943,171	3,150,401,815	(184,856,934)	2,965,544,881
Small and medium enterprises	210,345,463	(17,208,217)	193,137,246	554,598,825	(24,696,340)	529,902,485
Accrued interest receivable	19,392,833	-	19,392,833	26,213,616	-	26,213,616
	4,106,246,206	(228,185,876)	3,878,060,330	5,795,059,073	(244,503,953)	5,550,555,120
Stage 3						
Substandard	487,886,850	(70,884,912)	417,001,928	559,837,022	(88,699,114)	471,137,908
Doubtful	579,499,733	(262,259,478)	317,240,255	727,511,903	(356,157,878)	371,354,025
Bad	196,803,121	(161,278,797)	35,524,324	62,162,564	(50,923,188)	11,239,376
	1,264,189,704	(494,423,187)	769,766,517	1,349,511,489	(495,780,180)	853,731,309
	5,370,435,910	(722,609,063)	4,647,826,847	7,144,570,562	(740,284,133)	6,404,286,429

The carrying value of loans and advances to customers include performing loans and advances to related parties in the aggregate of LBP14.4billion (2020: LBP18.04billion) (Note 41).

Discounts on settlement of loans and advances to customers during the year amounted to LBP42.6billion (2020: LBP18.9billion) recognized in the statement of profit or loss.

10. INVESTMENT SECURITIES

The investment securities outstanding as at December 31, 2021 and 2020 are detailed as follows:

	December 31, 2021			
	Fair Value through Profit or Loss	Amortized Cost	Fair Value through other Comprehensive Income	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Equity and preferred shares	19,450,778	-	214,885,150	234,335,928
Lebanese treasury bills	1,389,254	1,149,129,793	6,668,009	1,157,187,056
Lebanese government bonds	40,565,402	1,691,839,751	131,994,612	1,864,399,765
Certificates of deposit issued by BDL	-	1,751,718,364	4,071,820	1,755,790,184
Corporate bonds	-	52,889,469	-	52,889,469
Bonds issued by banks	2,494,913	2,166,000	-	4,660,913
Term placements with BDL	84,050,596	-	-	84,050,596
	147,950,943	4,647,743,377	357,619,591	5,153,313,911
Allowance for expected credit losses (Note 45)	-	(681,710,574)	(115,757,953)	(797,468,527)
Accrued interest receivable	1,306,631	75,536,759	283,688	77,127,078
	149,257,574	4,041,569,562	242,145,326	4,432,972,462

	December 31, 2020			
	Fair Value through Profit or Loss	Amortized Cost	Fair Value through other Comprehensive Income	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Equity and preferred shares	15,453,435	-	216,739,514	232,192,949
Lebanese treasury bills	1,389,254	1,335,090,790	8,064,241	1,344,544,285
Lebanese government bonds	19,601,805	1,927,976,524	140,512,945	2,088,091,274
Certificates of deposit issued by BDL	-	1,849,867,123	4,081,606	1,853,948,729
Corporate bonds	-	56,737,641	17,167,695	73,905,336
Bonds issued by banks	2,502,450	3,423,000	-	5,925,450
Asset-backed securities	-	1,866,043	-	1,866,043
Term placements with BDL	116,040,845	-	-	116,040,845
	154,987,789	5,174,961,121	386,566,001	5,716,514,911
Allowance for expected credit losses (Note 45)	-	(327,927,494)	(16,351,697)	(344,279,191)
Accrued interest receivable	1,301,876	78,817,307	537,715	80,656,898
	156,289,665	4,925,850,934	370,752,019	5,452,892,618

During 2021, the Group transferred Eurobonds in the amount of LBP226Billion from securities held at amortized cost and fair value through other comprehensive income to fair value through profit and loss in order to reach regulatory offshore liquidity ratio.

During 2020, the Group derecognized certificates of deposit issued by the Central Bank of Lebanon in Lebanese Pounds concluded in conjunction with the acquisition of term deposits in US Dollar with the Central Bank of Lebanon purpose of which is to cover shortage in Lebanese Pounds liquidity and forex position in US Dollar against the Lebanese pounds, with an aggregate nominal value of LBP847billion, which resulted in a loss of LBP49.3billion recorded under "Loss on derecognition of financial assets measured at amortized cost" in the consolidated statement of profit or loss.

During 2020, the Group entered into swap transaction of certificates of deposit issued by the Central Bank of Lebanon in Lebanese Pounds of aggregate nominal value of LBP11billion in addition to the unwinding of placements with the Central Bank of Lebanon in Lebanese Pounds of aggregate nominal value of LBP135.4billion, concluded in conjunction with the acquisition of placements with the Central Bank of Lebanon in Lebanese Pounds in an aggregate nominal value of LBP111.8billion and current account with Central Bank of Lebanon in the amount of USD17million (C/V in LBP25.7billion). The new securities mature in 2037 and yielding 1% on average per annum.

The Group has Lebanese treasury bills, Lebanese government bonds and certificates of deposit issued by Central Bank of Lebanon with carrying value of LBP51billion as of December 31, 2021 that were pledged against soft loans and credit facilities granted by the Central Bank of Lebanon – (Notes 22 & 44) (2020: LBP51billion).

10.1 Investments at Fair Value through Other Comprehensive Income:

	December 31, 2021		
	Cost	Fair Value	Cumulative Change in Fair Value
	LBP'000	LBP'000	LBP'000
Equity and preferred shares	200,078,139	214,885,150	14,807,011
Lebanese treasury bills	6,686,383	6,668,009	(18,374)
Lebanese government bonds	133,275,060	131,994,612	(1,280,448)
Certificates of deposit issued by the Central Bank of Lebanon	4,000,000	4,071,820	71,820
	344,039,582	357,619,591	13,580,009
Deferred tax adjustment			(1,620,668)
			11,959,341

	December 31, 2020		
	Cost	Fair Value	Cumulative Change in Fair Value
	LBP'000	LBP'000	LBP'000
Equity and preferred shares	199,604,290	216,739,514	17,135,224
Lebanese treasury bills	8,066,558	8,064,241	(2,317)
Lebanese government bonds	153,034,978	140,512,945	(12,522,033)
Certificates of deposit issued by the Central Bank of Lebanon	4,000,000	4,081,606	81,606
Corporate bonds	17,167,695	17,167,695	-
	381,873,521	386,566,001	4,692,480
Deferred tax adjustments			586,922
			5,279,402

11. ASSETS UNDER LEVERAGE ARRANGEMENT WITH THE CENTRAL BANK OF LEBANON

	December 31,	
	2021	2020
	LBP'000	LBP'000
Assets under leverage arrangements:		
Term placements with central bank of Lebanon	3,551,861,250	3,881,809,625
Lebanese treasury bills	466,138,297	466,138,297
	4,017,999,547	4,347,947,922
Less:		
Borrowings under leverage arrangements	(4,017,999,547)	(4,347,947,922)
Net	-	-

Assets under leverage arrangement consist of term placements with the Central Bank of Lebanon and Lebanese Treasury bills in LBP subject to an average interest rate of 9.35% (2020: 10.15%) originated from and are pledged against the corresponding leverage arrangements with the Central Bank of Lebanon for the same amounts in LBP (bearing a 2% interest rate), with the purpose of providing yield adjustment on certain transactions related to either fresh deposits in foreign currency or sale of foreign currency against LBP placed in term deposits at the Central Bank of Lebanon and/or Government securities.

The leverage and related pledged assets mechanism resulted in a yield enhancement on the following financial assets:

	December 31,	
	2021	2020
	LBP'000	LBP'000
Term placements with the Central Bank of Lebanon	3,066,274,875	3,182,698,825
Term placement with the Central bank of Lebanon in LBP originated from sale of foreign currency	150,941,583	196,842,867
Term placement with Central Bank of Lebanon in LBP originated from the swap of certificates of deposit in foreign currency	19,682,000	19,682,000
	3,236,898,458	3,399,223,692
Lebanese government bonds	108,958,890	108,958,890
	3,345,857,348	3,508,182,582

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. The agreement covered financial assets and liabilities resulting from transactions that took place before the netting agreement date that have not yet matured.

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). These acceptances are presented net of their related expected loss allowance nil in 2021 (2020: LBP949thousands)(Note 45). The commitments resulting from these acceptances are stated as a liability in the statement of financial position for the same amount.

13. INVESTMENTS IN ASSOCIATES

Investments in associates, which are not listed, are as follows:

	Country of Incorporation	Interest Held 2021	Interest Held 2020	December 31, 2021	December 31, 2020
		%	%	LBP'000	LBP'000
Bancassurance S.A.L	Lebanon	60.00	60.00	10,747,152	10,543,106
United Capital Bank	Republic of Sudan	20.00	20.00	7,265,513	15,550,888
International payment Network	Lebanon	20.30	20.30	667,208	882,790
				18,679,873	26,976,784

Even though, the Group's interest in Bancassurance S.A.L. is 60%, the management determined that it does not control this entity on the basis that according to the shareholders' agreement, the relevant activities of Bancassurance are directed on the basis of 75% votes of the Board of Directors which does not give the Group power over the investee.

The following table summarizes the financial information of Bancassurance and United Capital Bank before intercompany eliminations:

	Bancassurance 2021	Bancassurance 2020	United Capital Bank 2021	United Capital Bank 2020
	LBP'000	LBP'000	LBP'000	LBP'000
Cash and banks	195,824,571	150,665,248	86,814,534	96,056,245
Loans and advances	-	-	80,090,951	200,935,204
Investment securities	266,903,260	268,810,691	125,852	710,384
Property and equipment, net	-	-	4,111,020	27,254,319
Other assets	22,228,236	21,995,608	2,286,187	4,276,147
Deposits from banks	-	-	(1,023,947)	(3,049,033)
Deposits from customers	-	-	(78,813,909)	(148,299,189)
Equity of unrestricted investment account holders	-	-	(45,293,596)	(80,989,227)
Insurance contracts liabilities	(449,570,131)	(489,015,325)	-	-
Other liabilities and provisions	(24,240,439)	(25,611,457)	(11,969,428)	(19,139,630)
Net assets	11,145,497	(73,155,235)	36,327,664	77,755,220
Group's share in net assets (excluding Goodwill)	6,687,298	(43,893,141)	7,265,533	15,551,044
Net revenues	25,548,481	31,293,099	6,924,722	20,468,849
Net income from financial assets at FVTPL	321,107	(3,170,536)	-	-
Claims paid and change in insurance liabilities	(917,955)	(6,085,048)	-	-
Other income (net)	552,447	356,838	27,622,078	12,199,929
Operating expenses	(11,913,977)	(12,840,440)	(6,758,392)	(13,257,507)
Income tax expense	(978,005)	(920,056)	(895,283)	(4,746,561)
Provision for expected credit losses	(12,611,252)	(132,013,120)	(245,628)	(759,427)
Net profit/(loss) for the year	846	(123,379,263)	26,647,497	13,905,283
Group's share in net profit/ (loss)	508	(74,027,558)	5,329,499	2,781,057

Below is the reconciliation of the carrying amount of investments in associates:

	2021 LBP'000	2020 LBP'000
Balance January 1	26,976,784	57,698,493
Dividends received	-	(146,534)
Share in net income/(loss) (Note 38)	5,114,426	(71,925,190)
Board of directors' remuneration	(72,068)	(69,637)
Excess loss over investment in Bancassurance	(13,345,533)	44,406,112
Currency translation adjustment	6,264	(2,986,460)
Balance December 31	18,679,873	26,976,784

During 2020, the Group recognized in profit or loss the excess of its committed share of loss over its investment in Bancassurance S.A.L. in the amount of LBP44billion which was reflected under provisions (Note 24). During 2021 the Group settled its share in the additional capital contribution to Bancassurance to offset its losses. Accordingly, the previously recorded allowance under provisions was reclassified under investment account during 2021.

14. ASSETS ACQUIRED IN SATISFACTION OF LOANS

This caption represents foreclosed real estate properties acquired through enforcement of security over loans and advances to customers.

The market values of those assets exceed their carrying value as at December 31, 2021 and 2020.

According to the Lebanese banking regulations. The acquisition of assets in settlement of loans is subject to the approval of the banking regulatory authorities and these should be liquidated within 2 years from acquisition date. In case of default of liquidation, a regulatory reserve should be appropriated from the yearly net profits.

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

	Cost LBP'000	Impairment LBP'000	Carrying Value LBP'000
Balance January 1, 2020	241,942,642	(12,927,755)	229,014,887
Foreclosures	39,810,719	-	39,810,719
Disposals	(57,045,968)	751,995	(56,293,973)
Value adjustments	(1,073,163)	-	(1,073,163)
Balance December 31, 2020	223,634,230	(12,175,760)	211,458,470
Foreclosures	47,480,914	-	47,480,914
Disposals	(95,158,610)	265,224	(94,893,386)
Balance December 31, 2021	175,956,534	(11,910,536)	164,045,998

Gain on disposals amounted to LBP29billion (2020: LBP43billion) recognized under "Other operating loss/ income (net)" in the statement of profit or loss (Note 38).

15. TANGIBLE AND INTANGIBLE ASSETS

15.1 Property and Equipment

	Balance at January 1, 2021 LBP'000	Additions and Transfers LBP'000	Disposals LBP'000	Effect of Sale of Fransabank OJSC LBP'000	Currency Translation Adjustment LBP'000	Balance at December 31, 2021 LBP'000
Cost:						
Buildings	383,152,508	15,598,752	(1,441,652)	(9,090,946)	(2,253,553)	385,965,109
Furniture, equipment and computers	185,197,409	2,798,506	(5,306,382)	(732,444)	(3,642,326)	178,314,763
Vehicles	6,340,860	-	(593,249)	(271,817)	(54,140)	5,421,654
Office improvements and installations	156,656,333	10,789,893	(2,063,010)	(792,066)	(811,808)	163,779,342
Advance payments	17,212,175	(7,038,482)	-	-	-	10,173,693
	748,559,285	22,148,669	(9,404,293)	(10,887,273)	(6,761,827)	743,654,561
Accumulated depreciation	(287,762,178)	(25,752,566)	7,579,521	3,019,516	828,983	(302,086,724)
Provision for impairment	(3,438,425)	-	-	-	-	(3,438,425)
Net carrying value	457,358,682					438,129,412

	Balance at January 1, 2020 LBP'000	Additions and Transfers LBP'000	Disposals LBP'000	Currency Translation Adjustment LBP'000	Balance at December 31, 2020 LBP'000
Cost:					
Buildings	387,492,199	4,885,672	(2,916,113)	(6,309,250)	383,152,508
Furniture, Equipment and Computer	184,734,155	12,663,404	(5,500,726)	(6,699,424)	185,197,409
Vehicles	6,927,228	58,154	(464,986)	(179,536)	6,340,860
Office improvements and installations	148,377,109	12,336,484	(2,501,646)	(1,555,614)	156,656,333
Advance payments	18,095,885	(883,710)	-	-	17,212,175
	745,626,576	29,060,004	(11,383,471)	(14,743,825)	748,559,285
Accumulated depreciation	(272,879,090)	(25,776,004)	9,130,186	1,762,730	(287,762,178)
Provision for impairment	(3,438,425)	-	-	-	(3,438,425)
Net Carrying value	469,309,061				457,358,682

15.2 Intangible Assets

	Balance at January 1, 2021 LBP'000	Additions and Transfers LBP'000	Disposals LBP'000	Effect of Sale of Fransabank OJSC LBP'000	Currency Translation Adjustment LBP'000	Balance at December 31, 2021 LBP'000
Cost:						
Purchase Software	40,973,107	1,733,425	(57,172)	(1,522,173)	(463,260)	40,663,927
Key Money	115,740	-	-	(115,740)	-	-
	41,088,847	1,733,425	(57,172)	(1,637,913)	(463,260)	40,663,927
Accumulated Depreciation:						
Purchase Software	(28,962,591)	(4,454,597)	57,172	852,275	353,054	(32,154,687)
Key Money	(21,628)	-	-	21,628	-	-
	(28,984,219)	(4,454,597)	57,172	873,903	353,054	(32,154,687)
Advance Payments	7,163,971	(226,817)	-	-	-	6,937,154
Carrying Value	19,268,599					15,446,394

	Balance at January 1, 2020 LBP'000	Additions and Transfers from Advance Payments LBP'000	Disposals LBP'000	Currency Translation Adjustment and other Movements LBP'000	Balance at December 31, 2020 LBP'000
Cost:					
Purchase Software	37,258,585	4,098,123	(74,883)	(308,718)	40,973,107
Key Money	116,810	20,459	-	(21,529)	115,740
	37,375,395	4,118,582	(74,883)	(330,247)	41,088,847
Accumulated Depreciation:					
Purchase Software	(24,945,624)	(4,436,889)	190,624	229,298	(28,962,591)
Key Money	(20,065)	(6,181)	585	4,033	(21,628)
	(24,965,689)	(4,443,070)	191,209	233,331	(28,984,219)
Advance Payments	7,731,225	(567,254)			7,163,971
Carrying value	20,140,931				19,268,599

16. LEASES

The Group is a lessee in a number of leases consisting of retail branches. Leases 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.

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

	Right-of-use Assets LBP'000	Lease Liabilities LBP'000
Balance at January 1, 2020	63,962,251	63,833,195
Amortization of right-of-use assets (Note 39)	(7,788,145)	-
Interest expense (Note 34)	-	4,130,338
Payments	-	(8,636,768)
Net adjustments on rent contracts	(2,009,918)	(1,999,023)
Balance at December 31, 2020	54,164,188	57,327,742
Amortization of right-of-use assets (Note 39)	(4,683,253)	-
Interest expense (Note 34)	-	3,695,252
Payments	-	(7,415,187)
Net adjustments on rent contracts	(12,847,771)	(13,327,169)
Balance at December 31, 2021	36,633,164	40,280,638

17. GOODWILL

Goodwill is derived from acquisition of control of subsidiaries as follows:

	December 31,	
	2021	2020
	LBP'000	LBP'000
Fransabank OJSC - Belarus	-	720,704
BLC Bank S.A.L.	44,095,440	44,095,440
Ahli International Bank S.A.L. (merger)	4,087,509	4,087,509
	48,182,949	48,903,653

18. OTHER ASSETS

This caption consists of the following:

	December 31,	
	2021	2020
	LBP'000	LBP'000
Deferred interest on customers' deposits (a)	3,059,351	8,035,534
Derivative assets held for risk management (b)	-	2,659,238
Deferred tax asset	4,851,604	7,273,060
Regulatory blocked deposit (c)	8,472,210	7,706,867
Assets in process of acquisition in settlement of loans (d)	1,011,272	1,011,272
Deferred charges on long term placements with BDL (e)	415,593	755,377
Deferred losses on exchange of debt securities (Note 10)	22,922,828	25,360,705
Other deferred charges	766,692	1,151,745
Prepayments	15,984,137	16,115,169
Foreign exchange operations	-	51,841
Accrued income	1,101,305	1,096,223
Receivables from Central Bank of Lebanon (Circular 151 and 158) (f)	40,580,795	5,492,709
Sundry accounts receivable	99,022,305	96,703,697
Allowance for expected credit losses (Note 46)	(10,837,427)	(7,632,231)
	187,350,665	165,781,206

(a) Deferred interest on customers' deposits represent upfront commission on certain customers' deposits that will be amortized over the period of the corresponding deposits as a yield adjustment to the interest expenses of these deposits.

(b) The OTC structured derivative is designated as a fair value hedge. The OTC structured derivative represents an embedded derivative in three structured deposit product which guarantee a minimum redemption value of 100% (Note 20).These structured deposits matured during 2021 and were reclassified to "Customers deposits at Amortized cost".

(c) The regulatory blocked deposits represent non-interest earning compulsory deposits placed with the Lebanese Treasury and the Central Bank of Syria upon the inception of banks according to Article 132 of the Lebanese Code of Money and Credit and Article 19 of the Syrian Law No.28 respectively and are refundable in case of cease of operations.

(d) Foreclosed assets not yet registered represent the value of loans written-off against enforcement of real estate security held and will be reallocated to "Assets Acquired in Settlement of Loans" when the registration in the name of the Group is finalized.

(e) Deferred losses on exchange of debt securities represent yield adjustment losses on exchange transactions with the Central bank of Lebanon executed during prior years and amortized over the maturity of the acquired term placement. During 2021, an amount of LBP2.3billion was amortized and recorded under "Interest income" in the statement of profit or loss (2020: LBP2.51billion).

(f) In light of Central Bank initiatives to minimize the impact of foreign currency market illiquidity and currency devaluation on customers (Note 1.2), the Central bank of Lebanon issued circulars 151 and 158 to subsidize customers' withdrawals of foreign currency denominated deposits in LBP at the rate of LBP8,000/USD and LBP12,000/USD respectively. As at December 31,2021, balance receivable from Central bank on Subsidized withdrawals amounted to LBP40.5billion (LBP5.5billion as at December 31,2021). Subsequent to the reporting period, the Bank has cleared outstanding balances with Central Bank through currency exchange deals executed as per mechanism of related circulars.

19. DEPOSITS AND BORROWINGS FROM BANKS

	December 31,	
	2021	2020
	LBP'000	LBP'000
Current deposits of banks and financial institutions	80,823,017	77,378,915
Current deposits - related parties	96,620	6,815,053
Money market deposits	53,018,431	26,706,967
Money market deposits - related parties	-	55,536,302
Other short term borrowings	15,238,374	24,532,145
Accrued interest payable	94,829	165,629
Accrued interest payable - related parties	1,562	907
	149,272,833	191,135,918

20. LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31,	
	2021	2020
	LBP'000	LBP'000
Customers' deposits with guaranteed capital at fair value through profit or loss	-	58,596,447
Accrued interest payable	-	346,905
	-	58,943,352

Certain deposits from customers have been designated at fair value through profit or loss as they are matched with an embedded derivative. An accounting mismatch would arise if customers' deposits were accounted for at amortized cost, because the related derivative is measured at fair value with movements in the fair value taken through the statement of profit or loss. By designating those deposits from customers at fair value, the movements in the fair value of these deposits are recorded in the statement of profit or loss. These instruments provide notional amounts protection for customers of 100% of the initially invested amount.
These instruments matured during 2021 and were reclassified to amortized cost.

Liabilities measured at fair value through profit or loss include related parties' deposits as follows:

	December 31,	
	2021	2020
	LBP'000	LBP'000
Customers' deposits with guaranteed capital at fair value through profit or loss	-	2,557,612
Accrued interest payable	-	16,681
	-	2,574,293

The fair value recognized on these deposits and the related derivatives is as follows:

	December 31,	
	2021	2020
	LBP'000	LBP'000
Customers' deposits at fair value through profit or loss	-	58,596,447
Related derivative contracts (Note 18)	-	2,659,238

21. CUSTOMERS' ACCOUNTS

Customers' accounts at amortized cost are detailed as follows:

	December 31,	
	2021	2020
	LBP'000	LBP'000
Deposits:		
Current/demand deposits	5,895,141,884	4,230,245,731
Term deposits	12,101,028,430	15,277,639,668
Collateral against loans and advances	186,861,023	429,879,119
Margins and other accounts:		
Margins against import letters of credit	67,153,742	81,696,448
Margins against letters of guarantee issued	83,661,150	91,524,395
Other margin	175,671,507	123,214,284
Blocked accounts	63,648,968	77,856,022
Accrued interest payable	25,643,764	64,123,492
Total	18,598,810,468	20,376,179,159

Customers' deposits include related parties detailed as follows:

	December 31,	
	2021	2020
	LBP'000	LBP'000
Current assets	151,074,020	143,180,096
Term deposits	818,525,547	880,337,243
Collateral against loans and advances	389,425	531,421
Margins	6,254	6,045
Accrued interest payable	1,562,716	6,518,306
	971,557,962	1,030,573,111

Deposits from customers at amortized cost include coded deposit accounts in the aggregate amount of LBP154.8billion (2020: LBP172billion). These accounts are subject to the provisions of Article 3 of the Banking Secrecy Law dated September 3, 1956 which stipulates that the Bank's management, in the normal course of business, cannot reveal the identities of these depositors to third parties, including its independent public accountants.

Deposits from customers include fiduciary deposits received from resident related party banks for a total amount of LBP4.06billion (2020: LBP20billion and LBP41billion from resident and non-resident banks respectively).

Current/demand deposits from related parties include an amount of LBP163billion (2020: LBP125billion) which will be allocated for the second payment of the shareholder's cash contribution to capital in alignment with Central Bank of Lebanon intermediate circular 532 (Note 27).

22. OTHER BORROWINGS

	December 31,	
	2021	2020
	LBP'000	LBP'000
Borrowings from European Investment Bank (a)	85,974,414	84,937,368
Borrowings from Agence Française de Developement (b)	27,185,159	27,135,000
Borrowings from International Finance Corporation (c)	33,995,333	33,995,333
Borrowings from Central Bank of Lebanon (d)	676,678,368	814,043,090
Borrowings from SANAD (e)	20,793,076	19,241,184
Reconstruction and Development International Bank	1,516,892	1,675,696
Green bonds (f)	82,227,273	82,227,273
Payable on acquisition of additional shares in subsidiaries (Note 8)	37,816,316	50,421,755
Other borrowings	-	4,626,502
	966,186,831	1,118,303,201
Accrued interest payable	5,051,095	5,960,000
	971,237,926	1,124,263,201

(a) Borrowings from European Investment Bank:

Borrowings from European Investment Bank consist of 3 credit lines for further on lending to SMEs and corporates customers operating in the productive sectors of the economy. These lines are as follows:

- 10-year EUR30 million credit line granted in 2007
- 12-year EUR45 million credit line granted in 2014
- 7-year EUR75 million credit line granted in 2017

The contractual maturities if these borrowings are as follows:

	December 31,		
	2021	2021	2020
	U.S. Dollar	C/V in LBP'000	C/V in LBP'000
Year 2020 – Unsettled Overdue	6,308,247	9,509,682	8,472,636
Year 2021 – Unsettled Overdue	11,240,645	16,945,272	16,945,272
Year 2022	11,240,645	16,945,272	16,945,272
Year 2023	8,638,827	13,023,032	13,023,032
Year 2024	8,638,827	13,023,032	13,023,032
Year 2025	7,815,750	11,782,243	11,782,243
Year 2026	3,148,178	4,745,881	4,745,881
	57,031,119	85,974,414	84,937,368

(b) Borrowing from Proparco:

The borrowing from Proparco, a subsidiary of Agence Française de Développement, represents a 7-year line of credit for a limit of USD18million (LBP27billion) that will enable Fransabank to support Lebanese SMEs and corporates in difficulty. This borrowing matures in 2025. Balances as at year end include unsettled overdue payments of LBP7.4billion.

(c) Borrowing from International Finance Corporation:

During 2014, a borrowing in the amount of USD10million was granted to the Bank to be used to finance eligible sustainable energy finance projects (SEF). This borrowing is to be settled semiannually starting June 2016. This borrowing matures in 2024.

During 2016, a new borrowing in the amount of USD20million was granted to the Bank. This borrowing is to be settled semiannually by an amount of LBP1.78billion. This borrowing matures in 2026.

Balances as at year end include unsettled overdue payments of LBP8billion.

(d) Borrowings from Central Bank of Lebanon:

Borrowings from Central Bank of Lebanon represent facilities in connection with Central Bank of Lebanon Basic Decision No. 6116 dated March 7, 1996 and its amendments by which the Bank benefited from credit facilities granted against certain loans that the Bank has granted, to its customers, pursuant to certain conditions, rules and mechanism. These facilities are partially collateralized against Lebanese treasury bills and certificates of deposits amounting to LBP41.1billion and LBP10.1billion respectively (2020: LBP41.1billion and LBP10.1billion respectively) (Note 44).

(e) Borrowing from SANAD Fund for MSME:

In 2017, a 7-year credit line in the amount of USD20million was granted to the Bank by SANAD Fund for MSME to finance SMEs operating in all productive sectors of the economy. This borrowing is to be settled semi-annually starting January 2020 and will mature in January 2025.Balances as at year end include unsettled overdue payments of LBP5.8billion.

(f) Green Bonds:

During 2018, the Bank issued bonds in the amount of USD60million for a period of 7 years. These bonds are subject to a fixed annual interest rate of 6.788% and mature in 2025. Balances as at year end include unsettled overdue payments of LBP24.6billion.

Up-till the date of issuance of these financial statements, the bank was still undergoing negotiations with international Lenders for restructuring of the above maturities.

The movement of borrowings was as follows:

	December 31,	
	2021	**2020**
	LBP'000	**LBP'000**
Balance January 1	1,118,303,201	1,499,363,019
Net additions/(settlements)	(152,116,370)	(381,059,818)
Balance December 31	966,186,831	1,118,303,201

23. OTHER LIABILITIES

	December 31,	
	2021	**2020**
	LBP'000	**LBP'000**
Current tax liability (a)	14,866,258	56,509,365
Deferred tax liability on items recognized in other comprehensive income (Note 29)	4,158,839	2,034,754
Deferred tax liability on undistributed profits of subsidiaries and associates of the Bank	13,732,371	42,160,693
Other deferred income tax liability	7,937,581	9,372,406
Withholding and other taxes payable	17,903,480	36,305,181
Due to the Social Security National Fund	2,446,014	2,651,665
Checks and incoming payment orders in course of settlement	43,758,962	14,425,916
Blocked capital subscriptions for companies under incorporation	409,714	409,764
Lumpsum tax on turnover (b)	-	49,552,663
Accrued expenses	84,353,049	74,784,354
Payable to non-controlling interests of a subsidiary under liquidation	-	40,161
Sundry accounts payable	82,938,709	66,808,376
	272,504,977	355,055,298

(a) Below is the reconciliation of income tax expense:

	2021 LBP'000	2020 LBP'000
Loss before tax from continuing operations	(258,991,619)	(28,404,900)
Income tax on enacted applicable rates	(35,023,757)	1,043,577
Effect of non-deductible expense and non-taxable income	50,455,748	56,022,662
Income tax expense	15,431,991	57,066,239
Less: Tax paid in advance and deferred tax	(565,733)	(556,874)
	14,866,258	56,509,365

(a) Based on decision No. 245 dated June 7, 2020, published on November 12, 2020 in the official gazette and article 20 of the budget law No. 6, banks were subject in 2020 to a one-time lumpsum tax calculated on the basis of 2% of 2019 turnover. This tax was accrued for during 2020 and settled during 2021.

24. PROVISIONS

Provisions consist of the following:

	December 31,	
	2021 LBP'000	2020 LBP'000
Provision for:		
Provision for staff end of service indemnities (a)	23,036,942	17,598,811
Provision for contingencies (b)	135,929,029	12,637,838
Provision for committed losses in an associate (Note 13)	-	44,406,112
Allowance for expected credit losses on financial guarantees and off-balance sheet commitments (Note 39	13,327,849	16,294,293
Provision for loss on foreign currency position	1,288,456	986,864
Provision for Off-balance sheet risk	240,000	240,000
Others	2,475,450	2,495,753
	176,297,726	94,659,671

(a) The movement of provision for staff end-of-service indemnities is as follows:

	2021 LBP'000	2020 LBP'000
Balance at January 1	17,598,811	31,879,306
(Write-back)/additions	7,704,568	(10,031,021)
Settlements	(2,266,437)	(4,249,474)
Balance at December 31	23,036,942	17,598,811

(b) The movement of provision for contingencies is as follows:

	2021	2020
	LBP'000	LBP'000
Balance at January 1	12,637,838	18,892,628
(Write-back)/additions	94,160,103	(2,679,310)
Settlements		(3,690,814)
Write offs		-
Effect of exchange rates changes	(106,715)	115,334
Reclassification from other liabilities	29,237,803	-
Balance at December 31	135,929,029	12,637,838

The provision for contingency is mainly against tax and levies contingencies.

25. SHARE CAPITAL

The authorized ordinary share capital of the Group is LBP438.5billion consisting of 21,925,000 paid shares of LBP20,000 each, fully paid

26. PREFERRED SHARES

This caption consists of the following:

	Nominal Value				Share Premium	
	Year of Issue	Number of shares	2021	2020	2021	2020
			LBP'000	LBP'000	LBP'000	LBP'000
Series "C"	2012	375,000	7,500,000	7,500,000	105,562,500	105,562,500
Series "D"	2014	425,000	8,500,000	8,500,000	119,637,500	119,637,500
Series "E"	2015	525,000	10,500,000	10,500,000	147,787,500	147,787,500
Series "F"	2017	375,000	7,500,000	7,500,000	105,562,500	105,562,500
			34,000,000	34,000,000	478,550,000	478,550,000

27. SHAREHOLDERS' CASH CONTRIBUTION TO CAPITAL

The shareholders' cash contribution to capital for an amount of LBP17.1billion (USD11,352,494) is subject to a yearly interest of 7.5% payable from unrestricted profits after securing the approval of the Central Bank of Lebanon. Related interest expense for 2021 amounted to LBP1.28billion(2020: LBP1.28billion) (Note 28).

In order to comply with Central Bank of Lebanon requirement to increase common equity Tier I as at December 31, 2018 by 20% in foreign currencies, the Bank's extraordinary general assembly of shareholders held on January 21, 2020 resolved for an additional cash contribution from shareholders in the amount of USD205.4million subject to a yearly interest of 8% payable from unrestricted profits after securing the approval of the Central Bank of Lebanon. The Bank's shareholders settled USD82.11million (LBP123.78billion) during 2020 and the remaining amount was secured by the bank and awaiting BDL approval. Related interest expense for 2021 amounted to LBP9.9billion(2020: LBP3.06billion) (Note 28).

An amount of LBP163billion which will be allocated for the second payment of the shareholder's cash contribution to capital in alignment with Central Bank of Lebanon intermediate circular 532 is recorded as current/demand deposits from related parties include (Note 21).

According to local banking regulations, cash contribution to capital is considered as Tier I capital.

28. NON-DISTRIBUTABLE RESERVES

Non-distributable reserves consist of the following:

	December 31,	
	2021	2020
	LBP'000	LBP'000
Legal reserve (a)	242,606,419	243,087,751
Non-distributable general reserve	632,419,991	590,325,299
Reserve for assets acquired in satisfaction of loans	110,250,779	118,630,279
Property revaluation reserve	24,460,590	49,949,650
	1,009,737,779	1,001,992,979

(a) The legal reserve is constituted in conformity with the requirements of the Lebanese Money and Credit Law on the basis of 10% of the yearly net profits. This reserve is not available for distribution.

(b) Non-distributable general reserve is constituted in accordance with banking regulations.

29. INVESTMENT FAIR VALUE RESERVE

This caption represents the cumulative change in fair value of investment securities at fair value through other comprehensive income. It consists of the following:

	December 31,	
	2021	2020
	LBP'000	LBP'000
Cumulative unrealized gain (Note 10)	13,580,009	4,692,480
Deferred tax, net (Note 10 & 23)	(1,620,668)	586,922
Net	11,959,341	5,279,402
Share of non-controlling interests (Notes 30)	66,440	(33,576)
Share of Equity holders of the Bank	11,892,901	5,245,826

30. NON – CONTROLLING INTERESTS

Non-controlling interests represent the minority share in the subsidiaries' equities as follows:

	December 31,	
	2021	2020
	LBP'000	LBP'000
Capital	124,643,915	75,467,470
Change in fair value of investment securities through other comprehensive income (Note 29)	66,440	33,576
Preferred shares	152,786,633	152,786,633
Shareholders' cash contribution to capital	32,212	1,441,220
Reserves and retained earnings	15,198,866	18,742,084
Profit for the year	1,334,632	4,309,156
	294,062,698	252,780,139

The following table summarizes financial information of subsidiaries that have material non-controlling interests (NCI) before intra-group eliminations:

	December 31, 2021	
	BLC Bank and its direct Subsidiaries LBP'000	Fransabank El-Djazair SPA LBP'000
NCI percentage	2.08%	47.25%
Cash and banks	2,453,501,889	212,527,760
Loans and advances	983,591,825	576,783,685
Assets classified as held for sale	21,921,318	-
Investment securities	1,603,669,032	2,417,534
Foreclosed assets	62,387,713	-
Other assets	155,292,344	137,859,296
Deposits from banks	(72,415,663)	(4,287,953)
Liabilities directly associated with assets	-	-
classified as held for sale	(776,065)	-
Deposits from customers	(4,222,461,232)	(656,197,720)
Borrowings and subordinated bonds	(219,365,528)	-
Other liabilities and provisions	(120,780,893)	(35,149,927)
Net assets	644,564,740	233,952,675
NCI share	13,406,947	110,542,639
Net financial revenues	(14,891,503)	46,958,930
Net allowance for expected credit losses	(59,128,605)	(5,919,619)
Operating expenses	(117,909,719)	(23,398,068)
Income tax expense	(74,103)	(5,177,204)
(Loss)/ profit for the year	(192,003,930)	12,464,039
Other comprehensive loss (OCI)	(5,245,142)	-
Total comprehensive (loss)/ income for the year	(197,249,072)	12,464,039
(Loss)/ Profit allocated to NCI	(4,102,777)	5,889,258
OCI allocated to NCI	109,099	-

	December 31, 2020	
	BLC Bank and its direct Subsidiaries	Fransabank El-Djazair SPA
	LBP'000	LBP'000
NCI percentage	2.08%	29.67%
Cash and banks	2,337,786,933	168,086,834
Loans and advances	1,374,534,026	551,991,913
Assets classified as held for sale	23,849,831	-
Investment securities	1,978,654,870	3,735,471
Foreclosed assets	69,863,846	-
Other assets	146,814,809	10,905,266
Deposits from banks	(107,618,670)	(1,380,030)
Liabilities directly associated with assets classified as held for sale	(844,339)	-
Deposits from customers	(4,634,625,901)	(545,057,120)
Borrowings	(304,738,835)	-
Other liabilities and provisions	(114,908,214)	(87,898,665)
Net assets	768,768,356	100,383,669
NCI share	15,990,382	29,783,835
Net financial revenues	127,801,421	45,059,946
Net allowance for expected credit losses	(53,265,988)	-
Operating expenses	(95,402,583)	(23,319,523)
Income tax expense	(6,535,493)	(5,784,009)
(Loss)/profit for the year	(27,402,643)	15,956,414
Other comprehensive income (OCI)	(10,438,414)	-
Total comprehensive (loss)/income for the year	(37,841,057)	15,956,414
Comprehensive (loss)/profit allocated to NCI	(787,094)	4,734,268
OCI allocated to NCI	(217,119)	-

31. RESULTS FOR THE YEAR

The consolidated (loss)/profit is allocated as follows between the Bank and its subsidiaries (after intra-group eliminations):

	2021		
	Owners of the Bank LBP'000	Non-Controlling Interests LBP'000	Total LBP'000
Income of the Bank	(101,022,807)	-	(101,022,807)
Income of subsidiaries:			
- Fransa Invest Bank S.A. L	(2,021,150)	-	(2,021,150)
- Fransabank France S. A	4,171,763	1,018,871	5,190,634
- Lebanese Leasing Company S.A.L	6,548	-	6,548
- Switch and Electronics Services S.A.L	164,699	-	164,699
- Sogefon S.A.L	7,431	-	7,431
- Fransabank El-Djazair S.P. A	6,907,025	5,557,014	12,464,039
- Fransabank Insurance Services S.A. L	2,288,088	-	2,288,088
- BLC Bank S.A.L and Subsidiaries	(187,753,979)	(4,249,951)	(192,003,930)
- Express S.A.R.L	12,855	-	12,855
- Fransabank OJSC	511,343	-	511,343
- Kuwaiti Lebanese Company for Real Estate Services S.A.L	-	-	-
- F&B Invest Holding	(16,445)	-	(16,445)
- Al Maktab	(4,915)	-	(4,915)
Deferred tax on Profit from associates and subsidiaries	(2,177,046)	(991,302)	(3,168,348)
	(278,926,590)	1,334,632	(277,591,958)

	2020		
	Owners of the Bank LBP'000	Non-Controlling Interests LBP'000	Total LBP'000
Income of the Bank	(81,679,681)	-	(81,679,681)
Income of subsidiaries :			
- Fransa Invest Bank S.A.L	(234,872)	-	(234,872)
- Fransabank France S.A	4,510,221	1,183,783	5,694,004
- Lebanese Leasing Company S.A.L	17,579	-	17,579
- Switch and Electronics Services S.A.L	213,158	-	213,158
- Sogefon S.A.L	219,189	-	219,189
- Fransabank El-Djazair S.P.A	11,222,146	4,734,268	15,956,414
- Fransabank Insurance Services S.A.L	2,386,004	-	2,386,004
- BLC Bank S.A.L and Subsidiaries	(26,870,785)	(531,858)	(27,402,643)
- Express S.A.R.L	(39,054)	-	(39,054)
- Fransabank OJSC	584,541	42,851	627,392
- Kuwaiti Lebanese Company for Real Estate Services S.A.L	-	-	-
- F&B Invest Holding	(1,222,256)	-	(1,222,256)
- Al Maktab	(6,373)	-	(6,373)
Deferred tax on Profit from associates and subsidiaries	(2,187,566)	(1,119,888)	(3,307,454)
	(93,087,749)	4,309,156	(88,778,593)

32. DIVIDENDS PAID

The following dividends were declared and paid by the Group:

	2021 LBP'000	2020 LBP'000
Dividends paid by subsidiaries to non-controlling interests	9,902,693	-

33. INTEREST INCOME

	2021		
	Interest Income LBP'000	Tax on Interest LBP'000	Net interest Income LBP'000
Interest income from:			
Deposits with central banks	894,797,578	(98,153,205)	796,644,373
Deposits with banks and financial institutions	801,438	(98,225)	703,213
Investment securities	282,496,788	(27,162,040)	255,334,748
Loans to banks	273,079	(30,951)	242,128
Loans and advances to customers	283,796,144	-	283,796,144
Loans and advances to related parties	227,620	-	227,620
Impaired loans and advances to customers	23,993,906	-	23,993,906
	1,486,386,553	(125,444,421)	1,360,942,132

	2020		
	Interest Income LBP'000	Tax on Interest LBP'000	Net interest Income LBP'000
Interest income from:			
Deposits with central banks	963,261,274	(104,862,628)	858,398,646
Deposits with banks and financial institutions	1,726,097	(181,648)	1,544,449
Investment securities	330,046,438	(36,708,267)	293,338,171
Loans to banks	2,381,600	(52,872)	2,328,728
Loans and advances to customers	439,663,688	-	439,663,688
Loans and advances to related parties	394,536	-	394,536
Impaired loans and advances to customers	17,247,591	-	17,247,591
Other	353,697	-	353,697
	1,755,074,921	(141,805,415)	1,613,269,506

Interest income on investments at fair value through profit or loss is reflected under "net income on financial assets at fair value through profit or loss" (Note 37).

34. INTEREST EXPENSE

	2021	2020
	LBP'000	LBP'000
Interest expense on:		
Deposits and borrowings from banks and financial institutions	2,045,044	35,168,897
Customers' deposits at amortized cost	248,957,361	688,771,802
Related parties' deposits at amortized cost	26,138,630	39,807,290
Other borrowings	22,389,025	35,179,069
Borrowings from a related party	1,188,045	2,056,615
Subordinated loans	-	265,475
Finance cost (Note 16)	3,695,252	4,130,338
Shareholders' cash contribution to capital (Note 27)	11,185,657	4,340,759
	315,599,014	809,720,245

Interest expense on customers' accounts designated at fair value through profit or loss is reflected separately in the consolidated statement of profit or loss.

35. FEE AND COMMISSION INCOME

	2021	2020
	LBP'000	LBP'000
Commission on documentary credits	2,595,554	3,212,004
Commission on letters of guarantee	13,362,312	16,472,705
Service fees on customers' transactions	93,033,218	82,716,462
Commission on transactions with banks	12,553,283	12,593,653
Asset management fees	428,383	377,095
Other commission	3,309,779	4,479,328
	125,282,529	119,851,247

Fee and commission income include fee and commission from related parties with insignificant amounts.

36. FEE AND COMMISSION EXPENSE

	2021	2020
	LBP'000	LBP'000
Commission on transactions with banks and financial institutions	7,820,604	3,434,219
Sundry	7,291,168	9,261,672
	15,111,772	12,695,891

Fee and commission expenses include fee and commission to related parties with immaterial amounts.

37. NET INCOME ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021		
	Income/ (Loss)	Withholding Tax	Net Loss
	LBP'000	LBP'000	LBP'000
Interest income	14,272,508	(1,566,415)	12,706,093
Dividends income	5,352	-	5,352
Net unrealized loss	(225,982,434)	-	(225,982,434)
Net realized loss	(644,381)	-	(644,381)
	(212,348,955)	(1,566,415)	(213,915,370)

	2020		
	Income/ (Loss)	Withholding Tax	Net Loss
	LBP'000	LBP'000	LBP'000
Interest income	14,620,249	(2,296,499)	12,323,750
Dividends income	86,504	-	86,504
Net unrealized loss	(6,216,738)	-	(6,216,738)
Net realized loss	(6,558,859)	-	(6,558,859)
	1,931,156	(2,296,499)	(365,343)

38. OTHER OPERATING LOSS (NET)

	2021	2020
	LBP'000	LBP'000
Dividends income on investments at FVTOCI	143,712	289,640
Share of income/ (loss)in associates (Note 13)	5,114,426	(71,925,190)
Foreign exchange (loss)/gain (a)	(150,022,502)	(24,774,008)
Gain on disposal of assets acquired in satisfaction of loans (Note 14)	29,076,661	42,912,915
Gain on disposal of property and equipment	198,878	715,234
Loss on sale of subsidiary (Note 8)	(12,548,280)	-
Other operating income – Net	1,856,292	2,479,999
	(126,180,813)	(50,301,410)

(a) In order to build offshore liquidity, the Branch introduced "multiplier factor" which initials inciting depositors of foreign currency international liquidity, cash deposited on incoming border transfers to convert these funds into local foreign currency deposits after the application of multiplier factor. During 2021, the Group recognized losses from these transactions which amounted to LBP23billion (2020: LBP41.1billion).

39. DEPRECIATION AND AMORTIZATION

	2021 LBP'000	2020 LBP'000
Depreciation of fixed assets (Note 15.1)	25,752,566	25,776,004
Amortization of intangible assets (Note 15.2)	4,454,597	4,443,070
Depreciation of right-of-use assets (Note 16)	4,683,253	7,788,145
	34,890,416	38,007,219

40. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS

The guarantees and standby letters of credit and the documentary and commercial letters of credit represent financial instruments with contractual amounts representing credit risk. The guarantees and standby letters of credit represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties and are not different from loans and advances on the statement of financial position. However, documentary and commercial letters of credit, which represent written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments documents of goods to which they relate and, therefore, have significantly less risks.

Forward exchange contracts represent positions held for customers' accounts. The Group entered into such instrument to serve the needs of customers, and these contracts are fully hedged by the Group.

41. BALANCES / TRANSACTIONS WITH RELATED PARTIES

In the ordinary course of its activities, the Group carries on transactions with related parties including shareholders, directors, subsidiaries and associates. Also, the Group conducts sale and purchase transactions of investment securities with subsidiary banks and these transactions are made at net book value of the financial instruments. Balances and transactions with related parties disclosed in Notes 6 to 36.

Some loans and advances are covered by real estate mortgage and by pledged deposits of the respective borrowers.

The remunerations, attendance fees and salaries to executive management amounted to LBP13.4billion during 2021 (2020: LBP27billion).

42. CASH AND CASH EQUIVALENTS

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

	December 31,	
	2021	2020
	LBP'000	LBP'000
Cash on hand	259,674,856	154,368,163
Current accounts with central banks	2,573,573,212	1,311,604,598
Term placements with central banks	1,054,350,500	743,107,100
Checks in course of collection	667	65,334
Current accounts with banks and financial institutions	673,029,882	559,636,074
Term placements with banks and financial institutions	23,283,328	28,142,904
	4,583,812,445	2,796,924,173

Above term placements with central banks and with banks consist of placements with original maturities of 90 days or less.

The following non-cash transactions were excluded from the statement of cash flows:

a. Change in fair value of investment securities at fair value through other comprehensive income of LBP8.5billion and related deferred tax liability of LBP1.18billion during 2021 (2020: LBP4.4billion and related deferred tax liability of LBP3.17billion) against investment securities.

b. Foreclosed assets in settlement of loans in the amount of LBP47.5billion during 2021 (2020: LBP39.8billion) against loans and advances to customers.

c. Provision for committed losses in associate transferred from provisions to investments in associates during 2021.

d. Transfer during 2021 of income tax payable of LBP29.2billion to provisions for contingencies.

43. DISTRIBUTION BY GEOGRAPHICAL LOCATION

Below is the distribution of assets and liabilities and statement of profit or loss by geographical location of various Group entities:

43.1 Distribution of assets and liabilities by geographical location

	December 31, 2021				
	Lebanon	France	Algeria	Cyprus	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS					
Cash and Banks	11,968,781,202	478,519,813	207,467,636	-	12,654,768,651
Loans to banks	10,515,659	-	2,136,786	-	12,652,445
Assets classified as held for sale	-	-	-	21,921,318	21,921,318
Loans and advances to customers	3,486,930,245	590,066,110	570,830,492	-	4,647,826,847
Investment securities	4,430,438,915	169,160	2,364,387	-	4,432,972,462
Customers' liability under acceptances	-	24,132,562	5,177,722	-	29,310,284
Investments in associates	18,679,873	-	-	-	18,679,873
Goodwill	48,182,949	-	-	-	48,182,949
Tangible and intangible assets	503,669,042	8,084,792	142,501,134	-	654,254,968
Other assets	170,440,413	4,703,741	12,206,511	-	187,350,665
Total Assets	20,637,638,298	1,105,676,178	942,684,668	21,921,318	22,707,920,462
LIABILITIES					
Deposits and borrowings from banks	119,174,811	25,865,828	4,232,194	-	149,272,833
Liabilities directly associated with assets classified as held for sale	-	-	-	776,065	776,065
Customers' accounts at amortized cost	17,018,563,521	924,105,327	656,197,720	-	18,598,866,568
Customers' acceptance liability	-	24,132,562	5,177,722	-	29,310,284
Other borrowings	971,237,926	-	-	-	971,237,926
Other liabilities and provisions	425,354,522	16,630,420	47,098,399	-	489,083,341
Total Liabilities	18,534,330,780	990,734,137	712,706,035	776,065	20,238,547,017

	December 31, 2020					
	Lebanon	France	Algeria	Belarus	Cyprus	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS						
Cash and Banks	11,530,246,753	352,423,773	164,825,899	21,488,895	-	12,068,985,320
Loans to banks	15,901,607	-	3,710,362	-	-	19,611,969
Assets classified as held for sale	-	-	-	-	23,849,831	23,849,831
Loans and advances to customers	5,111,790,209	698,013,451	542,964,487	51,518,282	-	6,404,286,429
Investments securities	5,430,891,930	184,042	3,688,533	18,128,113	-	5,452,892,618
Customers' liability under acceptances	413,558	10,939,261	8,290,047	-	-	19,642,866
Investments in associates	26,976,784	-	-	-	-	26,976,784
Goodwill	48,182,949	-	-	720,704	-	48,903,653
Tangible and intangible assets	588,600,234	9,345,534	134,453,893	9,850,278	-	742,249,939
Other assets	150,321,295	1,087,975	13,001,489	1,370,447	-	165,781,206
Total Assets	22,903,325,319	1,071,994,036	870,934,710	103,076,719	23,849,831	24,973,180,615
LIABILITIES						
Deposits and borrowings from banks	131,675,777	57,559,274	1,009,065	891,802	-	191,135,918
Liabilities classified as held for sale	-	-	-	-	844,339	844,339
Customers' accounts at FVTPL	58,943,352	-	-	-	-	58,943,352
Customers' accounts at amortized cost	18,852,868,357	864,960,158	602,257,077	56,093,567	-	20,376,179,159
Customers' acceptance liability	414,506	10,939,261	8,290,048	-	-	19,643,815
Other borrowings	1,119,469,749	-	-	4,793,452	-	1,124,263,201
Other liabilities and provisions	430,764,136	16,124,414	55,737,027	4,417,134	-	507,042,711
Total Liabilities	20,594,135,877	949,583,107	667,293,217	66,195,955	844,339	22,278,052,495

43.2 Distribution of statement of profit or loss by geographical location

	Year Ended December 31, 2021				
	Lebanon LBP'000	France LBP'000	Algeria LBP'000	Belarus LBP'000	Total LBP'000
Net interest income	993,254,284	13,121,260	36,367,484	2,600,090	1,045,343,118
Net fee and commission income	97,649,233	3,481,308	8,082,728	957,488	110,170,757
Investments at fair value through profit or loss	(213,915,370)	-	-	-	(213,915,370)
Liabilities designated at fair value through profit or loss	(1,634,583)	-	-	-	(1,634,583)
Other operating income	(175,714,115)	766,105	1,214,780	2,936,354	(170,796,876)
Impairment of loans and advances	(550,769,875)	(1,216,388)	(5,919,618)	387,481	(557,518,400)
Other expense	(431,655,885)	(9,338,769)	(22,807,293)	(6,838,318)	(470,640,265)
Income tax expense	(8,298,952)	(1,912,740)	(5,177,204)	(43,095)	(15,431,991)
Deferred tax on investees undistributed profits	(779,678)	(519,064)	(1,869,606)	-	(3,168,348)
	(291,864,941)	4,381,712	9,891,271	-	(277,591,958)

	Year Ended December 31, 2020				
	Lebanon	France	Algeria	Belarus	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Net interest income	753,654,876	14,120,712	32,179,333	3,594,340	803,549,261
Net fee and commission income	90,623,741	3,249,897	12,279,626	1,002,092	107,155,356
Investments at fair value through profit or loss	(365,343)	-	-	-	(365,343)
Liabilities designated at fair value through profit or loss	(3,989,348)	-	-	-	(3,989,348)
Other operating income	(174,696,447)	662,916	6,626,515	9,328,171	(158,078,845)
Impairment of loans and advances	(365,853,099)	(1,826,595)	(1,986,000)	(819,771)	(370,485,465)
Other expense	(367,412,663)	(8,510,528)	(22,787,315)	(7,480,010)	(406,190,516)
Income tax expense	(48,989,331)	(2,270,219)	(5,784,009)	(22,680)	(57,066,239)
Undistributed profits	(277,331)	(569,401)	(2,393,462)	(67,260)	(3,307,454)
	(117,304,945)	4,856,782	18,134,688	5,534,882	(88,778,593)

44. COLLATERAL GIVEN

Financial assets given as collateral are as follows at December 31:

	December 31, 2021			
		Corresponding Facilities		
	Redemption value of Pledged Assets LBP'000	Nature of Facility	Amount of Facility LBP'000	Maturity Date
Certificates of deposits issued by the Central bank of Lebanon at amortized cost	7,943,789	Facilities from BDL	7,337,169	June 09, 2029
Lebanese Treasury Bills at amortized cost	25,532,780	Borrowings	451,408,603	September 22, 2022
Lebanese Treasury Bills at amortized cost	356,730	Borrowings		2-5 years
Lebanese Treasury Bills at amortized cost	15,219,300	Facilities from BDL	230,730,949	Revolving
Certificates of deposit at amortized cost	2,149,375	Borrowings	5,904,237	Over 5 years
	51,201,974		695,380,958	

	December 31, 2020			
		Corresponding Facilities		
	Redemption value of Pledged Assets LBP'000	Nature of Facility	Amount of Facility LBP'000	Maturity Date
Certificates of deposits issued by the Central bank of Lebanon at amortized cost	7,943,789	Facilities from BDL	9,064,299	June 09, 2029
Lebanese Treasury Bills at amortized cost	15,219,300	Facilities from BDL	311,540,932	Revolving
Lebanese Treasury Bills at amortized cost	25,889,510	Borrowings	551,744,763	2 -5 years
Certificates of deposit at amortized cost	2,149,375	Other borrowings	5,904,237	Over 5 years
	51,201,974		878,254,231	

45. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

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

- Credit risk: the risk of default or deterioration in the ability of a borrower to repay a loan.
- Liquidity risk: the risk that the Bank cannot meet its financial obligations when they come due in a timely manner and at reasonable cost.
- Market risk: the risk of loss in balance sheet and off-balance sheet positions arising from movements in market prices. Movements in market prices include changes in interest rates (including credit spreads), exchange rates and equity prices.

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 to develop and monitor the Group's risk management policies in their specified areas.

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

A. Credit Risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Bank. The Group's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers and other banks (including related commitments to lend such as loan or credit card facilities) and investments in Government debt securities, certificates of deposit issued by the Central Bank of Lebanon and term deposits with the Central Bank of Lebanon. 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 risk management revolves around the following:

- Identifying, assessing and measuring credit risk 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.
- 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.
- Establishing a robust control framework regarding the authorization structure for the approval and renewal of credit facilities.
- Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating, geographic location etc.
- Developing and maintaining the Group's risk grading to categorize exposures according to the degree of risk of default. Risk grades are subject to regular reviews.
- Developing and maintaining the Group's processes for measuring ECL including monitoring of credit risk, incorporation of forward-looking information and the method used to measure ECL.
- Ensuring that the Group has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- 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.

Internal Rating and Regulatory Classification

In order to better manage credit risk, the Group has tasked its credit management committees to maintain the Group's credit risk grading to categorize exposures according to their degree of risk of default. The credit rating information is based on a range of data that is thought to be predictive of the risk of default and applies experienced credit judgment. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

Each exposure is allocated to a credit risk grade at initial recognition based on the available information about the counterparty. The credit risk grades are designed and calibrated to reflect the probability of default as credit risk deteriorates. As the credit risk increases the probability of default between grades changes.

The Group's credit risk grading framework comprises nine categories, 6 performing categories each comprising 3 notches, in total 18 grades, in addition to 3 non-performing categories 8, 9, 10. A "low credit risk" would essentially imply that the borrower has a strong capacity to meet its contractual cash flow obligations in the near term. The Group has defined its Commercial Low Credit Risk Portfolio to include Commercial Borrowers that carry, within the investment grade category, the ratings 2 (strong) and 3 (good) mapped to the regulatory classification of "1"; loans fully cash covered are also categorized as "low credit risk" regardless of rating or classification.

Internal ratings are mapped to the regulatory classifications and the IFRS9 Stages 1, 2 and 3 as shown in the table below.

IFRS 9 Stages	Regulatory Classification	Internal Rating	
Stage 1	1	2+, 2, 2- 3+, 3, 3-	Low Credit Risk - Normal
	2	4+, 4, 4- 5+, 5, 5-	Follow Up
Stage 2	3	6+, 6, 6- 7+, 7, 7-	Follow up & Settlement
Stage 3	4, 5, 6	8, 9, 10	Objective Evidence of Impairment at the Reporting Date

The regulatory classification comprises six main categories detailed as follows:

1. *"Regular"* includes borrowers demonstrating good to excellent financial condition, risk factors, and capacity to repay. These loans demonstrate regular and timely payment of dues, adequacy of cash flows, timely presentation of financial statements, and sufficient collateral/guarantee when required.
2. *"Follow-up"* represents a lack of documentation related to a borrower's activity, an inconsistency between facilities' type and related conditions.
3. *"Follow-up and Regularization"* includes credit worthy borrowers requiring close monitoring without being impaired. These loans might be showing weaknesses; insufficient or inadequate cash flows; highly leveraged; deterioration in economic sector or country where the facility is used; loan rescheduling more than once since initiation; or excess utilization above limit.
4. *"Substandard loans"* include borrowers with incapacity to repay from identified cash flows. Also included under this category are those with recurrent late payments and financial difficulties.
5. *"Doubtful loans"* where full repayment is questioned even after liquidation of collateral. It also includes loans stagnating for over 6 months and debtors who are unable to repay restructured loans. Finally,
6. *"Bad loans"* with no or little expected inflows from business or assets. This category also includes borrowers with significant delays and deemed insolvent.

The Retail and Housing Loan Portfolio's regulatory classification and IFRS9 stages are applied based on the days past due brackets.

The Group's internal rating scale for the Financial Sector and Sovereigns is established based on the external rating agencies' scales.

Monitoring of Credit Risk

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

All exposures are monitored, and the credit risk grade is updated to reflect current information. The monitoring procedures followed are general and tailored to the type of exposure. The Group collects performance and default information about its credit risk exposures analyzed by jurisdiction or region and by type of product, economic sector, borrower and by credit risk grading. The information used is both internal and external depending on the portfolio assessed.

The following data are typically used to monitor the Group's exposures:

- Payment record, including payment ratios and ageing analysis;
- Extent of utilization of granted limit;
- Forbearances (both requested and granted);
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies

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.

During 2019, the severe and unprecedented economic situation in Lebanon exerted significant pressure on the asset quality of the domestic loan portfolio. As a result, credit quality of the Lebanese loan portfolio has declined driven by a weakening in the borrowers' creditworthiness across various segment types.

The above deterioration in the credit quality of the loans' portfolio in Lebanon has been intensified as a result of the massive and devastating explosion that occurred on August 4, 2020 and which resulted in the destruction of thousands of residential units and businesses in downtown Beirut as well as the eastern side of the capital leaving thousands of citizens homeless and/or jobless.

Measurement of ECL

The key inputs used for measuring ECL are:
- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

These figures are generally derived from internally developed statistical models and other historical data, and they are adjusted to reflect probability-weighted forward-looking information.

PD 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. The estimation is based on current conditions adjusted to take into account estimates of future conditions that will impact PD.

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 Group would expect to receive, taking into account cash flows from any collateral. 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. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan.

EAD 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, and expected drawdowns on committed facilities. The Group's approach takes into account the maximum expected balance after applying credit conversion factors on indirect facilities (off balance sheet items).

The Group measures ECL considering the risk of default over the maximum contractual period over which the Group is exposed to credit risk. 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. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period. 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. 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.

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 in credit risk as well as in its measurement of ECL.

The factors taken into account in this process include macro-economic data such as GDP growth, unemployment, benchmark interest rates and house prices published by governmental bodies and monetary authorities. 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.

The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome. The Group uses a statistical analysis of historical data to estimate relationships between macro-economic variables and credit risk/default rates.

Credit Quality:

Loans' classifications are assessed and updated regularly. The distribution of loans and advances to customers by classification is disclosed under note 9.

Most of customers' exposures represent credit facilities granted to corporations which do not have external credit rating.

1. Maximum exposure to credit risk

The following corresponds to the maximum credit risk exposure net of the expected credit loss allowances:

	December 31, 2021		
	Carrying Amount	ECL	Net Carrying Amount
	LBP'000	LBP'000	LBP'000
Cash and deposits with central banks	11,729,672,827	(65,520,011)	11,664,152,816
Deposits with banks and financial institutions	734,891,054	(3,950,075)	730,940,979
Loans to banks	56,034,904	(43,382,459)	12,652,445
Loans and advances to customers	5,370,435,910	(722,609,063)	4,647,826,847
Investment securities	5,081,183,415	(797,468,527)	4,283,714,888
Customers' liability under acceptances	29,310,284	-	29,310,284
Other assets	77,329,594	(10,837,427)	66,492,167
	23,078,857,988	(1,643,767,562)	21,435,090,426
Off balance sheet commitments	512,744,223	(13,327,849)	499,416,374

	December 31, 2020		
	Carrying Amount	ECL	Net Carrying Amount
	LBP'000	LBP'000	LBP'000
Cash and central banks	11,335,890,686	(41,437,886)	11,294,452,800
Deposits with banks and financial institutions	621,605,917	(1,506,894)	620,099,023
Loans to banks	64,911,250	(45,299,281)	19,611,969
Loans and advances to customers	7,144,570,562	(740,284,133)	6,404,286,429
Investment securities	5,640,882,144	(344,279,191)	5,296,602,953
Customers' liability under acceptances	19,643,815	(949)	19,642,866
Other assets	27,383,998	(7,632,231)	19,751,767
	24,854,888,372	(1,180,440,565)	23,674,447,807
Off balance sheet commitments	739,259,792	(16,294,293)	722,965,499

The movement of allowance for expected credit losses during 2021 and 2020 is summarized as follows:

	Opening Balance January 1, 2021 LBP'000	Net loss Allowance for the Year LBP'000	Write-off and other Movement LBP'000	Transfer to Off-balance Sheet LBP'000	Effect of Exchange Rate Changes LBP'000	Recoveries LBP'000	Transfer between Categories LBP'000	Closing Balance December 31, 2021 LBP'000
Cash and Central Banks	41,437,886	24,068,399	-	-	(203,461)	-	217,187	65,520,011
Deposits with banks and financial institutions and loans to banks	46,806,175	(3,822,826)	4,449,473	-	(100,288)	-	-	47,332,534
Loans and advances to customers	740,284,133	42,920,545	(6,071,662)	(54,266,575)	(257,378)	-	-	722,609,063
Investment securities	344,279,191	453,478,431	-	-	(388)	-	(288,707)	797,468,527
Customers' liability under acceptances	949	(908)	-	-	-	(41)	-	-
Financial Guarantees	16,294,293	(4,966,917)	(169,520)	2,362,171	(190,282)	(1,896)	-	13,327,849
Other assets	7,632,231	3,205,196	-	-	-	-	-	10,837,427
	1,196,734,858	514,881,920	(1,791,709)	(51,904,404)	(751,797)	(1,937)	(71,520)	1,657,095,411

	Opening Balance January 1, 2020 LBP'000	Net loss Allowance for the Year LBP'000	Write-off and other Movement LBP'000	Transfer to Off-balance Sheet LBP'000	Effect of Exchange Rate Changes LBP'000	Recoveries LBP'000	Transfer between Categories LBP'000	Closing Balance December 31, 2020 LBP'000
Cash and Central Banks	30,507,327	13,747,039	-	-	214,572	(562,735)	(2,468,317)	41,437,886
Deposits with banks and financial institutions and loans to banks	42,322,775	7,409,304	(5,747,890)	-	4,305	(1,219)	2,818,900	46,806,175
Loans and advances to customers	590,112,596	162,126,058	(2,507,294)	(8,249,756)	64,519	(358,570)	(903,420)	740,284,133
Investment securities	177,541,819	166,560,367	1,032,999	-	-	(1,637,002)	781,008	344,279,191
Customers' liability under acceptances	1,910,418	(1,606,894)	(19,139)	-	-	(283,436)	-	949
Financial Guarantees and Other commitments	16,015,104	(3,175,016)	3,540,850	-	1,443	(88,088)	-	16,294,293
Other assets	1,199,478	6,432,753	-	-	-	-	-	7,632,231
	859,609,517	351,493,611	(3,700,474)	(8,249,756)	284,839	(2,931,050)	228,171	1,196,734,858

2) Exposures subject to ECL

	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Gross exposures				
Deposits with central banks	11,729,672,827	-	-	11,729,672,827
Deposits with banks and financial institutions	734,891,054	-	-	734,891,054
Loans to banks	9,451,247	-	46,583,657	56,034,904
Loans and advances to customers	3,012,286,283	1,095,016,824	1,263,132,803	5,370,435,910
Investment securities	3,202,975,830	54,373,222	1,823,834,363	5,081,183,415
Customers' liability under acceptances	29,310,284	-	-	29,310,284
Other Assets	77,329,594	-	-	77,329,594
	18,795,917,119	1,149,390,046	3,133,550,823	23,078,857,988
Off balance sheet commitments	452,403,888	60,340,335	-	512,744,223
Expected credit losses				
Deposits with central banks	(65,520,011)	-	-	(65,520,011)
Deposits with banks and financial institutions	(3,950,075)	-	-	(3,950,075)
Loans to banks	(177,750)	-	(43,204,709)	(43,382,459)
Loans and advances to customers	(101,840,755)	(126,345,084)	(494,423,224)	(722,609,063)
Investment securities	(4,405,957)	(54,373,222)	(738,689,348)	(797,468,527)
Customers' liability under acceptances	-	-	-	-
Other Assets	(10,837,427)	-	-	(10,837,427)
	(186,731,975)	(180,718,306)	(1,276,317,281)	(1,643,767,562)
Off balance sheet commitments	(7,285,254)	(6,042,595)	-	(13,327,849)

	Stage 1	Stage 2	Stage 3	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Net exposures				
Deposits with central banks	11,664,152,816	-	-	11,664,152,816
Deposits with banks and financial institutions	730,940,979	-	-	730,940,979
Loans to banks	9,273,497	-	3,378,948	12,652,445
Loans and advances to customers	2,910,445,528	968,671,740	768,709,579	4,647,826,847
Investment securities	3,198,569,873	-	1,085,145,015	4,283,714,888
Customers' liability under acceptances	29,310,284	-	-	29,310,284
Other Assets	66,492,167	-	-	66,492,167
	18,609,185,144	968,671,740	1,857,233,542	21,435,090,426
Off balance sheet commitments	445,118,634	54,297,740	-	499,416,374

	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Gross exposures				
Deposits with central banks	11,335,890,686	-	-	11,335,890,686
Deposits with banks and financial institutions	621,605,917	-	-	621,605,917
Loans to banks	17,291,695	-	47,619,555	64,911,250
Loans and advances to customers	4,542,172,064	1,252,887,009	1,349,511,489	7,144,570,562
Investment securities	3,512,895,901	2,015,246,076	112,740,167	5,640,882,144
Customers' liability under acceptances	19,643,815	-	-	19,643,815
Other assets	27,383,998	-	-	27,383,998
	20,076,884,076	3,268,133,085	1,509,871,211	24,854,888,372
Off Balance sheet	673,858,648	64,995,042	406,102	739,259,792
Expected credit losses				
Deposits with central banks	(41,437,886)	-	-	(41,437,886)
Deposits with banks and financial institutions	(1,506,894)	-	-	(1,506,894)
Loans to banks	(904,191)	-	(44,395,090)	(45,299,281)
Loans and advances to customers	(187,665,660)	(56,838,293)	(495,780,180)	(740,284,133)
Investment securities	(3,702,795)	(258,324,991)	(82,251,405)	(344,279,191)
Customers' liability under acceptances	(949)	-	-	(949)
Other assets	(7,632,231)	-	-	(7,632,231)
	(242,850,606)	(315,163,284)	(622,426,675)	(1,180,440,565)
Off Balance sheet commitments	(9,317,041)	(6,977,252)	-	(16,294,293)

	Stage 1	Stage 2	Stage 3	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Net exposures				
Deposits with central banks	11,294,452,800	-	-	11,294,452,800
Deposits with banks and financial institutions	620,099,023	-	-	620,099,023
Loans to banks	16,387,504	-	3,224,465	19,611,969
Loans and advances to customers	4,354,506,404	1,196,048,716	853,731,309	6,404,286,429
Investments securities	3,509,193,106	1,756,921,085	30,488,762	5,296,602,953
Customers' liability under acceptances	19,642,866	-	-	19,642,866
Other assets	19,751,767	-	-	19,751,767
	19,834,033,470	2,952,969,801	887,444,536	23,674,447,807
Off Balance sheet commitments	664,541,607	58,017,790	406,102	722,965,499

Limiting of Credit Risk

The Group manages the levels of credit risk undertaken on loans and advances by placing limits on the amount of risk accepted in relation to one borrower, and/or groups of related borrowers. Such risk is monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

Exposures to any one borrower including banks are further restricted by sub-limits covering on and off-financial position exposures. Country limit are also set by the Bank. Actual exposures against limits are monitored on a regular basis.

(a.4) *Concentration of major financial assets and liabilities by geographical location:*

2021:

	Lebanon LBP'000	Middle East and Africa LBP'000	North America LBP'000	Europe LBP'000	Gulf LBP'000	Other LBP'000	Total LBP'000
Financial Assets							
Cash and central Banks	11,587,651,834	2,909,396	-	123,821,552	-	209,444,890	11,923,827,672
Deposits with banks and financial institutions	3,042,231	6,762,947	183,094,465	535,517,803	3,491,351	(967,818)	730,940,979
Loans to banks and financial institutions	9,907,454	2,744,991	-	-	-	-	12,652,445
Loans and advances to customers	3,359,664,070	77,988,960	5,819,975	595,331,147	24,952,971	584,069,724	4,647,826,847
Investment securities	4,343,282,943	49,812,226	37,370,773	223,907	-	2,282,613	4,432,972,462
	19,303,548,532	140,218,520	226,285,213	1,254,894,409	28,444,322	794,829,409	21,748,220,405
Financial Liabilities							
Deposits and borrowings from banks	118,900,497	133	-	26,140,009	-	4,232,194	149,272,833
Customers' accounts at amortized cost	16,312,885,526	469,726,638	71,469,277	1,044,353,858	-	700,375,169	18,598,810,468
Other borrowings	971,237,926	-	-	-	-	-	971,237,926
	17,403,023,949	469,726,771	71,469,277	1,070,493,867	-	704,607,363	19,719,321,227

2020:

	Lebanon LBP'000	Middle East and Africa LBP'000	North America LBP'000	Europe LBP'000	Gulf LBP'000	Other LBP'000	Total LBP'000
Financial Assets							
Cash and central banks	11,215,205,188	7,208,467	-	62,331,334	-	164,075,974	11,448,820,963
Deposits with banks and financial institutions	557,918	4,862,151	40,488,080	560,559,120	11,067,795	2,629,293	620,164,357
Loans to banks and financial institutions	5,484,562	11,329,510	-	2,797,897	-	-	19,611,969
Loans and advances to customers	4,809,898,278	104,319,599	16,719,688	763,264,440	143,044,313	567,040,111	6,404,286,429
Investment securities	5,340,305,408	54,320,519	36,451,441	18,213,398	-	3,601,852	5,452,892,618
	21,371,451,354	182,040,246	93,659,209	1,407,166,189	154,112,108	737,347,230	23,945,776,336
Financial Liabilities							
Deposits and borrowings from banks	131,700,852	-	-	58,426,001	-	1,009,065	191,135,918
Customers' accounts at FVTPL	58,943,352	-	-	-	-	-	58,943,352
Customers' accounts at amortized cost	18,116,623,676	492,215,819	73,538,510	1,051,997,841	-	641,803,313	20,376,179,159
Other borrowings	1,119,492,676	-	-	4,770,525	-	-	1,124,263,201
Subordinated loan	-	-	-	-	-	-	-
	19,426,760,556	492,215,819	73,538,510	1,115,194,367	-	642,812,378	21,750,521,630

Other specific control and mitigation measures are outlined below:

a) Collateral:

The principal collateral types for loans and advances consist of mortgages over real estate properties and bank guarantees.

The Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

b) 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.

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. That being said, Lebanon is facing adverse conditions and high level of uncertainty since October 2019, as a result of deterioration of the economic environment which lead to a severe disruption of normal business operations and a de-facto capital control, leading to incremental credit risks and restricted access to foreign currency among other adverse factors.

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 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.

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 Bank. In Lebanon and since October 2019 events, the Bank 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. On June 8, 2021 the Central Bank issued circular number 158 which includes, among other things, using from the above 3% international liquidity to pay back small depositors on condition that the bank reconstitutes this percentage by December 31, 2022. The Bank is still not compliant with this regulatory international liquidity ratio.

The table below shows the allocation of major monetary liabilities based on the earliest possible contractual maturity (undiscounted values). The expected maturities vary significantly from the contractual maturities namely with regard to customers' deposits.

Residual contractual maturities of financial liabilities

	December 31, 2021				
	Up to 3 Months	3 Months to 1 Year	1 to 5 Years	Over 5 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
FINANCIAL LIABILITIES					
Deposits from banks and financial institutions	91,577,833	4,822,000	52,873,000	-	149,272,833
Customers' deposits at amortized cost	16,373,266,468	1,994,957,000	230,514,000	73,000	18,598,810,468
Other borrowings	73,028,926	53,465,000	253,672,000	507,528,000	887,693,926
	16,537,873,227	2,053,244,000	537,059,000	507,601,000	19,635,777,227

	December 31, 2020				
	Up to 3 Months	3 Months to 1 Year	1 to 5 Years	Over 5 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
FINANCIAL LIABILITIES					
Deposits from banks and financial institutions	158,265,918	32,870,000	-	-	191,135,918
Liabilities designated at fair value through profit or loss	347,352	58,596,000	-	-	58,943,352
Customers' deposits at amortized cost	16,537,761,159	3,216,207,000	621,752,000	459,000	20,376,179,159
Other borrowings	33,392,201	308,338,000	387,539,000	394,994,000	1,124,263,201
	16,729,766,630	3,616,011,000	1,009,291,000	395,453,000	21,750,521,630

C. Market Risk

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.

Foreign exchange risk:

Below is the carrying value of assets and liabilities segregated by major currencies to reflect the Group's exposure to foreign currency exchange risk at year end:

	December 31, 2021				
	LBP	USD	EUR	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS					
Cash and Central Banks	3,035,624,459	8,163,093,397	512,400,521	212,709,295	11,923,827,672
Deposits with banks and financial institutions	1,318,148	496,972,290	162,096,116	70,554,425	730,940,979
Loans to banks	9,273,495	3,378,950	-	-	12,652,445
Investment securities at fair value through profit or loss	4,001,244	60,492,480	84,594,090	169,760	149,257,574
Investment securities at amortized cost	2,442,657,957	1,596,663,831	-	2,247,774	4,041,569,562
Investment securities at fair value through other comprehensive income	111,298,650	130,741,607	105,069	-	242,145,325
Loans and advances to customers	1,568,070,313	2,199,583,016	305,304,708	574,868,810	4,647,826,847
Customers' liability under acceptances	-	-	24,132,562	5,177,722	29,310,284
Investments in associates	11,414,360	7,265,513	-	-	18,679,873
Assets acquired in satisfaction of loans	38,933,059	125,112,939	-	-	164,045,998
Assets classified as held for sale	-	-	21,921,318	-	21,921,318
Property and equipment	302,628,949	4,888,307	85,587	130,526,569	438,129,412
Intangible assets	13,354,203	-	1,148,625	943,566	15,446,394
Right in use assets	8,366,150	28,267,014	-	-	36,633,164
Good will	48,182,949	-	-	-	48,182,949
Other assets	120,101,898	54,636,181	3,163,436	9,449,150	187,350,665
Total Assets	7,715,225,834	12,871,095,525	1,114,952,032	1,006,647,071	22,707,920,462
LIABILITIES					
Deposits from banks and financial institutions	15,322,667	72,230,314	57,138,842	4,541,010	149,272,833
Customers' deposits at amortized cost	4,626,549,862	12,283,958,768	962,953,234	725,348,604	18,598,810,468
Liability under acceptances	-	-	24,132,562	5,177,722	29,310,284
Borrowings	658,272,298	312,965,628	-	-	971,237,926
Liabilities directly associated with assets classified as held for sale	-	-	776,065	-	776,065
Lease liabilities	9,211,405	31,069,233	-	-	40,280,638
Other liabilities	174,316,459	40,475,008	28,300,546	29,412,964	272,504,977
Provisions	160,266,537	8,236,643	1,984,720	5,809,826	176,297,726
Total Liabilities	5,643,939,228	12,748,975,594	1,075,285,969	770,290,126	20,238,490,917
Net exchange position	2,071,286,606	122,119,931	39,666,063	236,356,955	2,469,429,545

	December 31, 2020				
	LBP	USD	EUR	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
ASSETS					
Cash and Central Banks	3,301,344,711	7,480,611,562	489,326,279	177,538,411	11,448,820,963
Deposits with banks and financial institutions	252,275	424,956,578	141,324,844	53,630,660	620,164,357
Loans to banks	16,387,502	3,224,467	-	-	19,611,969
Investment securities at fair value through profit or loss	27,570,971	35,400,375	93,139,467	178,852	156,289,665
Investment securities at amortized cost	2,439,583,708	2,482,757,546	-	3,509,681	4,925,850,935
Investment securities at fair value through other comprehensive income	98,698,768	271,852,514	200,737	-	370,752,019
Loans and advances to customers	1,904,609,328	3,481,617,903	435,918,804	582,140,394	6,404,286,429
Customers' liability under acceptances	-	35,233	11,317,586	8,290,047	19,642,866
Investments in associates	11,425,897	15,550,887	-	-	26,976,784
Assets acquired in satisfaction of loans	40,027,038	171,431,432	-	-	211,458,470
Assets classified as held for sale	-	-	23,849,831	-	23,849,831
Property and equipment	327,424,085	3,183,355	126,702	126,624,540	457,358,682
Intangible assets	16,052,467	-	1,004,798	2,211,334	19,268,599
Right in use assets	13,184,276	40,260,914	-	718,998	54,164,188
Goodwill	48,182,949	720,704	-	-	48,903,653
Other assets	82,896,373	64,759,616	5,823,883	12,301,334	165,781,206
Total Assets	8,327,640,348	14,476,363,086	1,202,032,931	967,144,251	24,973,180,616
LIABILITIES					
Deposits from banks and financial institutions	14,792,896	73,218,613	97,449,794	5,674,615	191,135,918
Customers' deposits at FVTPL	-	58,943,352	-	-	58,943,352
Customers' deposits at amortized cost	5,549,333,473	13,120,881,206	1,008,879,974	697,084,506	20,376,179,159
Liability under acceptances.	-	35,503	11,318,265	8,290,047	19,643,815
Borrowings	786,703,476	337,322,397	-	237,328	1,124,263,201
Liabilities directly associated with assets classified as held for sale	-	-	844,339	-	844,339
Lease liabilities	13,940,724	42,476,871	-	910,147	57,327,742
Other liabilities	263,024,794	52,351,620	6,863,561	32,815,323	355,055,298
Provisions	81,361,677	5,028,680	2,961,827	5,307,487	94,659,671
Total Liabilities	6,709,157,040	13,690,258,242	1,128,317,760	750,319,453	22,278,052,495
Net exchange position	1,618,483,308	786,104,844	73,715,171	216,824,798	2,695,128,121

The Group is subject to currency risk on financial assets and liabilities that are denominated in currencies other than the Lebanese Pound. Most of these financial assets and liabilities are in US Dollars and Euros. As disclosed in Note 1, the Group's assets and liabilities in foreign currencies are valued at the official exchange rate, whereas there is high volatility and significant variance in the multiple unofficial exchange rates in the parallel markets that have emerged since the start of the economic crisis and the de-facto capital control on foreign currency withdrawals and transfers overseas, and therefore, management is unable to determine what would be a reasonable possible movement in order to provide useful quantitative sensitivity analysis. The impact of the valuation of these assets and liabilities at a different rate will be recognized in the financial statements once the official exchange rate is changed by the relevant authorities.

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:

	December 31, 2021			
	LBP	Onshore Foreign Currencies	Offshore Foreign Currencies	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Cash, Compulsory Reserves and Central Banks	3,035,624,459	8,442,745,291	445,457,922	11,923,827,672
Deposits with banks and financial institutions	1,318,148	297,527	729,325,304	730,940,979
Loans to banks	9,273,495	-	3,378,950	12,652,445
Investment securities	2,557,957,851	1,785,178,565	89,836,046	4,432,972,462
Loans and advances to customers	1,568,070,313	1,891,127,717	1,188,628,817	4,647,826,847
Customers' liability under acceptances	-	-	29,310,284	29,310,284
Investments in associates	11,414,360	-	7,265,513	18,679,873
Assets acquired in satisfaction of loans	38,933,059	125,112,939	-	164,045,998
Assets classified as held for sale	-	-	21,921,318	21,921,318
Property and equipment	302,628,949	4,888,307	130,612,156	438,129,412
Intangible assets	13,354,203	-	2,092,191	15,446,394
Right in use assets	8,366,150	7,357,713	20,909,301	36,633,164
Good will	48,182,949	-	-	48,182,949
Other assets	120,101,898	35,131,916	32,116,851	187,350,665
	7,715,225,834	12,291,839,975	2,700,854,653	22,707,920,462
Deposits from banks and financial institutions	15,322,667	13,612,602	120,337,564	149,272,833
Customers' deposits at amortized cost	4,626,549,862	11,415,892,348	2,556,368,258	18,598,810,468
Liability under acceptances	-	-	29,310,284	29,310,284
Borrowings	658,272,298	147,884,270	165,081,358	971,237,926
Liabilities directly associated with assets classified as held for sale	-	-	776,065	776,065
Lease liabilities	9,211,405	7,910,491	23,158,742	40,280,638
Other liabilities	174,316,459	43,986,400	54,202,118	272,504,977
Provisions	160,266,537	13,555,739	2,475,450	176,297,726
	5,643,939,228	11,642,841,850	2,951,709,839	20,238,490,917

	December 31, 2020			
	LBP	Onshore Foreign Currencies	Offshore Foreign Currencies	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Cash, Compulsory Reserves and Central Banks	3,301,344,711	7,864,525,375	282,950,877	11,448,820,963
Deposits with banks and financial institutions	252,275	150,372,048	469,540,034	620,164,357
Loans to banks	16,387,502	-	3,224,467	19,611,969
Investment securities	2,565,853,447	2,774,088,372	112,950,799	5,452,892,618
Loans and advances to customers	1,904,609,328	3,000,629,057	1,499,048,044	6,404,286,429
Customers' liability under acceptances	-	413,558	19,229,308	19,642,866
Investments in associates	11,425,897	-	15,550,887	26,976,784
Assets acquired in satisfaction of loans	40,027,038	171,431,432	-	211,458,470
Assets classified as held for sale	-	-	23,849,831	23,849,831
Property and equipment	327,424,085	21,448	129,913,149	457,358,682
Intangible assets	16,052,467	-	3,216,132	19,268,599
Right in use assets	13,184,276	17,133,168	23,846,744	54,164,188
Good will	48,182,949	-	720,704	48,903,653
Other assets	82,896,373	56,101,645	26,783,188	165,781,206
	8,327,640,348	14,034,716,103	2,610,824,164	24,973,180,615
Deposits from banks and financial institutions	14,792,896	8,625,674	167,717,348	191,135,918
Customers' deposits at FVTPL	-	58,943,352	-	58,943,352
Customers' deposits at amortized cost	5,549,333,473	13,303,211,679	1,523,634,007	20,376,179,159
Liability under acceptances	-	-	19,643,815	19,643,815
Borrowings	786,703,476	170,273,945	167,285,780	1,124,263,201
Liabilities directly associated with assets classified as held for sale	-	-	844,339	844,339
Lease liabilities	13,940,724	18,054,893	25,332,125	57,327,742
Other liabilities	263,024,794	24,404,811	67,625,693	355,055,298
Provisions	81,361,677	8,432,092	4,865,902	94,659,671
	6,709,157,040	13,591,946,446	1,976,949,009	22,278,052,495

Interest rate risk

Interest rate risk represents exposures to instruments whose values vary with the level of volatility of interest rates. These instruments include, but are not limited to, loans, debt securities, certain trading-related assets and liabilities, deposits, borrowings and derivative instruments. Interest rate repricing gap is used to estimate the impact on earnings of an adverse movement in interest rates.

Below is a summary of the Group's interest rate gap position on major financial assets and liabilities reflected at carrying amounts at year end by repricing time bands:

	December 31, 2021				
	Not subject to Interest	Less than 1 Year	1 to 5 Years	Over 5 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
FINANCIAL ASSETS					
Cash and central banks	3,613,630,672	2,626,113,000	1,121,536,000	4,562,548,000	11,923,827,672
Deposits with banks and financial institutions	624,201,979	100,146,000	6,593,000	-	730,940,979
Loans to banks	5,937,445	6,715,000	-	-	12,652,445
Investment securities"	1,653,205,462	328,585,000	1,207,617,000	1,243,565,000	4,432,972,462
Loans and advances to customers	767,483,847	2,641,332,000	603,327,000	635,684,000	4,647,826,847
	6,664,459,405	5,702,891,000	2,939,073,000	6,441,797,000	21,748,220,405
FINANCIAL LIABILITIES					
Deposits and borrowings from banks	112,806,833	36,466,000	-	-	149,272,833
Customers' accounts at amortized cost	7,526,898,468	10,860,024,000	211,815,000	73,000	18,598,810,468
Other borrowings	10,489,926	763,175,000	196,944,000	629,000	971,237,926
	7,650,195,227	11,659,665,000	408,759,000	702,000	19,719,321,227

	December 31, 2020				
	Not subject to Interest	Less than 1 Year	1 to 5 Years	Over 5 Years	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
FINANCIAL ASSETS					
Cash and central banks	2,720,509,963	2,060,244,000	1,763,696,000	4,904,371,000	11,448,820,963
Deposits with banks and financial institutions	540,316,357	79,105,000	743,000	-	620,164,357
Loans to banks	3,722,969	9,334,000	6,555,000	-	19,611,969
Investment securities	533,507,618	529,633,000	1,841,584,000	2,548,168,000	5,452,892,618
Loans and advances to customers	860,447,429	3,789,341,000	965,933,000	788,565,000	6,404,286,429
	4,658,504,336	6,467,657,000	4,578,511,000	8,241,104,000	23,945,776,336
FINANCIAL LIABILITIES					
Deposits and borrowings from banks	45,656,918	145,479,000	-	-	191,135,918
Liabilities designated at fair value through profit or loss	346,352	58,597,000	-	-	58,943,352
Customers' accounts at amortized cost	4,491,691,159	15,293,416,000	590,607,000	465,000	20,376,179,159
Other borrowings	105,931,201	328,101,000	305,175,000	385,056,000	1,124,263,201
	4,643,625,630	15,825,593,000	895,782,000	385,521,000	21,750,521,630

D. **Other Operational Risks**

Litigation Risk

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

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

46. CONTINGENCIES

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

The Bank is defendant in several lawsuits, whereby the aggregate amount claimed by the plaintiffs is around LBP90.3billion.

During 2022, the Bank's records and tax returns for the years 2015 till 2017 inclusive were subject to review by the relevant tax authorities. No final assessment was issued up till the date of issuance of these financial statements. Any additional tax liability depends on the outcome of such reviews.

The Bank's tax returns for the years 2018 till 2021 inclusive are still subject to review by the relevant tax authorities. Any additional tax liability depends on the outcome of such reviews.

The Bank's social security declarations since October 2017 remain subject to review by the Social Security authorities. Any additional liabilities depend on the outcome of such reviews.

47. 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 December 31, 2021			
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 December 31, 2020			
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%

The Central Bank of Lebanon issued intermediary circular No.567 dated August 26, 2020 introducing several changes in the calculation of the regulatory capital adequacy ratios. These key changes are discussed below along with the Group's compliance thereto:

Key regulatory changes:	
Increasing the regulatory ECL on Lebanese government bonds in foreign currency from 9.45% to 45% and allowing the constitution of the regulatory ECL 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%.	The Group applied the following ECL levels on exposures to Lebanese sovereign and Central Bank in these financial statements as at December 31, 2020: - Central Bank exposures in foreign currencies: **0.77%** - Central Bank exposures in Lebanese Pound: 0% - Sovereign exposures in foreign currencies: **50.4%** - Sovereign exposures in Lebanese Pound: 0%
By February 28, 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 a liquidated within 5 years.	As discussed in Note 27, the Bank's Extraordinary General Assembly of shareholders held on 21/01/2020 & 17/12/2020 called the required 20% Equity increase in the form of additional cash contribution from shareholders for the amount of USD205.40million (LBP309.4billion). Up to December 31, 2021, the Bank's shareholders secured USD205.28million (LBP309.46billion) in the form of cash contribution of which: (i) USD82.11million (LBP123.78billion) was approved by BDL and included in the Equity (ii) USD123.17million (LBP185.68billion) is still pending BDL approval .

Key regulatory changes:	
Banks can include the revaluation surplus of real estate properties in Common Equity Tier I capital instead of 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, 2021.	During 2021, the Group did not reevaluate its real estate properties and no new revaluation surplus were considered in the Group's equity. However, its existing approved revaluation surplus of real estate properties for LBP24,461million was included in the Group's Common Tier I as at December 31, 2021. No dividends were distributed during the year. • The Group did not draw down its capital conservation buffer as at December 31, 2021.
Banks should refrain from dividend distribution, should capital adequacy 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 years according to an approved plan by the Banking Control Commission of Lebanon.	
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 amount of ECL Stage 1 and Stage 2 included in the common Equity Tier 1 as at December 31,2021 is LBP 218,016 million (2020: LBP317,026million).

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

	December 31,	
	2021	**2020**
	LBP Million	**LBP Million**
Common Equity Tier I	1,670,899	2,029,784
Additional Tier I capital	741,250	740,166
Tier II capital	51,557	46,973
Total regulatory capital	2,463,706	2,816,923
Credit risk	18,343,632	21,882,037
Market risk	909,174	268,555
Operational risk	1,672,344	1,455,762
Risk-weighted assets and risk-weighted off-balance sheet items	20,925,150	23,606,354
Common Equity Tier I ratio	7.99%	8.60%
Tier I capital ratio	11.53%	11.73%
Risk based capital ratio - Tier I and Tier II capital	11.77%	11.93%

The Group's capital adequacy ratio as at December 31, 2021 and 2020, 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 1.3 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.

Banks are required to submit to the Lebanese Banking Control Commission a comprehensive plan, reflecting the Groups' 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. The Group has submitted to LBCC on January 5 , 2021 its plan as approved by its BOD of December 17, 2020.

48. 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.

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

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

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

49. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank's Board of Directors in its meeting held on May 6, 2022.