FRANSABANK SAL

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2022

TABLE OF CONTENTS

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

mazars

INDEPENDENT AUDITORS' 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 "Group"), which comprise the consolidated statement of financial position as at December 31, 2022, 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, 2022, 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 disclosed in Notes 1.3.2 and 3 to the accompanying consolidated financial statements, the Bank's functional currency is the Lebanese Pound which is the currency of a hyperinflationary economy and the Bank has not applied the requirements of IAS 29 "*Financial Reporting in Hyperinflationary Economies*" in the preparation of the financial statements for the year ended 31 December 2022.

   Had the Bank applied the requirements of IAS 29, many elements and disclosures in the accompanying separate financial statements, including the comparative separate financial statements for the year ended 31 December 2022, would have been significantly impacted. The effects on the separate financial statements arising from this departure have not been determined. Our opinion in the prior year was also modified in respect of this matter.

2- As disclosed in note 1.3.1 to the accompanying consolidated financial statements, the Bank's transactions and monetary assets and liabilities denominated in foreign currencies have been translated to functional currency (i.e. Lebanese Pounds) in accordance with the accounting policy on foreign currency transactions detailed in note 3 of the financial statements, at the official exchange rate published at the end of the reporting period which significantly varies from the several exchange rates that have emerged since the start of the economic crisis.

   As per IAS 21 "The Effects of Changes in Foreign Exchange Rates", when several exchange rates are available, the rate to be used is that 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.
   Had the Bank applied the requirements of IAS 21 many of the elements of the accompanying separate financial statements, including disclosures, would have been significantly impacted. The effects on the financial statements of this departure have not been determined. Our opinion in the prior year was also modified in respect of this matter.

3- Cash and deposits with central banks and investment securities, which are carried in the consolidated statement of financial position, net of expected credit loss, at LBP12,572billion and LBP3,777billion respectively (2021: LBP11,924billion and LBP4,433billion respectively), include gross balances held with the Central Bank of Lebanon and Lebanese government debt securities at amortized cost of LBP16,087billion (2021: LBP16,071billion). 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.

4- Loans and advances to customers, which are carried in the consolidated statement of financial position at LBP3,654billion (2021: LBP4,648billion), include balances concentrated in Lebanon of LBP2,129billion (2021: LBP 3,487). Management has not stated loans and advances to customers net of an allowance for expected credit losses which takes 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.

5- Provisions, which are carried in the consolidated statement of financial position at LBP309billion (2021: LBP176billion), include a provision for expected credit losses on financial guarantees and other commitments of LBP15billion (2021: LBP13billion). Management has not stated the provision 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. Our opinion in the prior year was also modified in respect of this matter.

6- As at 31 December 2022, provision for end of service of employees in Lebanon is carried in the consolidated statement of financial position at LBP74billion. The assumptions used in calculating this provision are subject to high uncertainty from the prevailing financial and economic situation in Lebanon as illustrated in Note 1. Consequently, we were unable to determine whether any adjustments to these amounts, and related income statements and other comprehensive income accounts were necessary.

7- Investment securities, which are carried in the consolidated statement of financial position, net of expected credit loss, at LBP3,777billion (2021: LBP4,433billion), include gross investment securities measured at fair value of LBP386billion (2021: LBP386billion), 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- Loans to banks and other assets, which are carried in the consolidated statement of financial position at LBP13billion and LBP295billion respectively (2021: LBP13billion and LBP187billion respectively), include balances of LBP3billion and LBP282billion respectively (2021: LBP11billion and LBP170billion respectively) which are concentrated in Lebanon. Management has not stated these balances net of allowances 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 these amounts. 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 LBP21billion (2021: LBP19billion). These investments exhibited indicators of impairment at the reporting date. Management did not determine if the recoverable amounts of these investments in associated 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- Goodwill is carried in the consolidated statement of financial position at LBP48billion (2021: LBP48billion). Management did not determine if the recoverable amount of goodwill exceeded 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.

11- Management has not disclosed the fair value of the Group's financial assets and financial liabilities at amortized cost, which constitutes a departure from IFRSs. 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.

12- We did not receive sufficient direct confirmation of balances related to loans and advances to customers and deposits from customers as at December 31, 2022 and accordingly we were unable to satisfy ourselves as to their accuracy and completeness as of reporting date.

13- The events, conditions and practices that would not qualify as normal course of business in a non-crisis environment described in Note 1 and the matters described in the paragraphs above affect the financial position, liquidity, solvency and profitability of the Group, expose the Group to increased litigation and regulatory risks. Significant uncertainty exists in relation to the outcome of the litigations and claims raised against the Group and the negative impact that they might have on the Group's offshore liquidity, foreign assets and foreign currency exposure as disclosed in note 44. These events and conditions cast significant doubts on the Group's ability to continue as a going concern. We were unable to obtain sufficient appropriate audit evidence about the Group's ability to continue as a going concern. The opinion for the year ended 31 December 2021 was also modified for the same reasons explained above.

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.

Other Matters

The separate financial statements of the Bank for the year ended December 31, 2021 were audited by Deloitte & Touche & DFK Fiduciaire du Moyen Orient who expressed an adverse opinion on those statements on July 15, 2022.

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, 2022. 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.

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.

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

mazars

- 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 auditor's 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.

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

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

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

Beirut, Lebanon
June 26, 2023

DFK Fiduciaire du Moyen Orient

Mazars Saade

MAZARS SAADE

FRANSABANK S.A.L.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

		December 31,	
ASSETS	**Notes**	**2022 LBP'000**	**2021 LBP'000**
Cash and deposits with central banks	5	12,571,784,511	11,923,827,672
Deposits with banks and financial institutions	6	719,071,282	730,940,979
Loans to banks	7	13,166,484	12,652,445
Loans and advances to customers	9	3,654,484,729	4,647,826,847
Investment securities	10	3,776,978,366	4,432,972,462
Customers' liability under acceptances	12	39,824,249	29,310,284
Investments in associates	13	20,535,899	18,679,873
Assets acquired in satisfaction of loans	14	149,303,894	164,045,998
Property and equipment	15	428,748,446	438,129,412
Intangible assets	15	13,091,836	15,446,394
Right of use assets	16	28,778,578	36,633,164
Goodwill	17	48,182,949	48,182,949
Other assets	18	295,282,258	187,350,665
		21,759,233,481	**22,685,999,144**
Assets classified as held for sale	8	**-**	21,921,318
Total Assets		**21,759,233,481**	**22,707,920,462**

FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

Documentary and commercial letters of credit	39	155,626,767	168,941,023
Guarantees and standby letters of credit	39	331,957,841	457,181,062
Forward contracts	39	64,592,416	78,314,327
Fiduciary accounts		8,922,679	10,230,901

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

FRANSABANK S.A.L.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION - (continued)
AS AT DECEMBER 31, 2022

		December 31,	
		2022	2021
LIABILITIES	Notes	LBP'000	LBP'000
Deposits and borrowings from banks	19	199,633,808	149,272,833
Deposits from customers and related parties	20	18,117,271,850	18,598,810,468
Customers' liability under acceptances	12	39,824,249	29,310,284
Other borrowings	21	817,752,864	971,237,926
Lease liabilities	16	33,260,099	40,280,638
Other liabilities	22	251,516,373	272,504,977
Provisions	23	309,243,390	176,297,726
		19,768,502,633	20,237,714,852
Liabilities directly associated with Assets classified as held for sale	8	-	776,065
Total Liabilities		**19,768,502,633**	**20,238,490,917**
EQUITY			
Issued capital - Ordinary shares	24	438,500,000	438,500,000
Issued capital - Preferred shares	25	34,000,000	34,000,000
Share premium - Preferred shares	25	478,550,000	478,550,000
Shareholders' cash contribution to capital	26	302,994,840	140,891,368
Non-distributable reserves	27	1,032,118,990	1,009,737,779
Investments fair value reserve	28	10,604,618	11,892,901
Foreign currency translation reserve		(126,716,678)	(126,857,904)
Retained earnings		173,621,372	475,960,069
Treasury shares	8	(6,802,422)	(8,380,776)
Loss for the year	30	(632,555,871)	(278,926,590)
Equity attributed to the owners of the Bank		**1,704,314,849**	**2,175,366,847**
Non-controlling interests	29	286,415,999	294,062,698
Total equity		**1,990,730,848**	**2,469,429,545**
Total Liabilities and Equity		**21,759,233,481**	**22,707,920,462**

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

FRANSABANK S.A.L.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2022

		Year Ended December 31,	
		2022	2021
	Notes	LBP'000	LBP'000
Interest income	32	1,304,829,216	1,486,350,404
Less: Tax on interest	32	(108,413,386)	(125,408,272)
Interest income, net of tax		**1,196,415,830**	**1,360,942,132**
Interest expense	33	(153,263,017)	(315,599,014)
Net interest income		**1,043,152,813**	**1,045,343,118**
Fee and commission income	34	226,226,777	125,282,529
Fee and commission expense	35	(36,919,383)	(15,111,772)
Net fee and commission income		**189,307,394**	**110,170,757**
Net loss on financial assets at fair value through profit or loss	36	(5,457,598)	(213,915,370)
Interest expense on financial liabilities designated at fair value through profit or loss		-	(1,634,583)
Loss on derecognition of financial assets measured at amortized cost		(1,159)	(24,924,829)
Loss on derecognition of financial assets measured at fair value through other comprehensive income		-	(6,345,701)
Other operating loss (net)	37	(839,122,466)	(126,180,813)
Net financial revenues		**387,878,984**	**782,512,579**
Allowance for credit losses (net)	44	(340,815,839)	(514,881,920)
Discounts on loans and advances to customers	9	(14,905,417)	(42,636,480)
Net financial revenues after allowances for expected		**32,157,728**	**224,994,179**
Staff costs		(342,208,184)	(220,271,700)
Administrative expenses		(244,791,933)	(121,318,046)
Depreciation and amortization	38	(32,453,227)	(34,890,416)
Allowance for impairment of investment in associates	13	-	(13,345,533)
Provision for contingencies (net)	23	(41,611,700)	(94,160,103)
Loss before income tax		**(628,907,316)**	**(258,991,619)**
Income tax expense	22	(3,630,444)	(15,431,991)
Deferred tax on investees undistributed profits	30	(1,089,233)	(3,168,348)
Net loss for the year		**(633,626,993)**	**(277,591,958)**
Attributable to:			
Owners of the Bank	30	(632,555,871)	(278,926,590)
Non-controlling interests	30	(1,071,122)	1,334,632
		(633,626,993)	**(277,591,958)**

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 FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	Year Ended December 31, 2022 LBP'000	2021 LBP'000
Net loss for the year		(633,626,993)	(277,591,958)
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of equity securities at FVTOCI	10	(1,177,768)	(3,384,986)
Deferred tax		87,014	1,375,049
		(1,090,754)	**(2,009,937)**
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of debt securities at FVTOCI		23,271	11,967,832
Currency translation adjustment		(43,440)	(30,860,801)
Deferred tax		(220,800)	(3,149,039)
		(240,969)	**(22,042,008)**
Total other comprehensive loss		**(1,331,723)**	**(24,051,945)**
Total comprehensive loss for the year		**(634,958,716)**	**(301,643,903)**
Attributable to:			
Equity holders of the Bank		(633,887,594)	(299,898,654)
Non-controlling interests		(1,071,122)	(1,745,249)
		(634,958,716)	(301,643,903)

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

FRANSABANK S.A.L.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022

	Attributable to equity holders of the Bank											
	Capital	**Preferred Shares and Share Premium**	**Treasury Shares**	**Shareholders' Cash Contribution to Capital**	**Non-Distributable Reserves**	**Investments Fair Value Reserves**	**Foreign Currency Translation Reserve**	**Brought Forward Retained Earnings**	**Loss for the Year**	**Total**	**Non-controlling interests**	**Total**
	LBP'000	**LBP'000**	**LBP'000**	**LBP'000**	**LBP'000**	**LBP'000**	**LBP'000**	**LBP'000**	**LBP'000**	**LBP'000**	**LBP'000**	**LBP'000**
Balance as at January 1, 2021	**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	-	-	-	-	(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**
Total comprehensive loss for the year 2022	-	-	-	-	(43,440)	(1,288,283)	-	-	(632,555,871)	(633,887,594)	(1,071,122)	(634,958,716)
Dividends paid	-	-	-	-	-	-	-	-	-	-	(5,494,325)	(5,494,325)
Allocation of 2021 Profit	-	-	-	-	-	-	-	(278,926,590)	278,926,590	-	-	-
Transfer to non-distributable reserves	-	-	-	-	23,412,107	-	-	(23,412,107)	-	-	-	-
Shareholder's cash contribution to capital (Note 26)	-	-	-	162,103,472	-	-	-	-	-	162,103,472	-	162,103,472
Effect of exchange rates changes	-	-	1,578,354	-	(987,456)	-	-	-	-	590,898	(1,081,252)	(490,354)
Other movement	-	-	-	-	-	-	141,226	-	-	141,226	-	141,226
Balance as at December 31, 2022	**438,500,000**	**512,550,000**	**(6,802,422)**	**302,994,840**	**1,032,118,990**	**10,604,618**	**(126,716,678)**	**173,621,372**	**(632,555,871)**	**1,704,314,849**	**286,415,999**	**1,990,730,848**

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 FOR THE YEAR ENDED DECEMBER 31, 2022

	Notes	Year Ended December 31, 2022 LBP'000	2021 LBP'000
Cash flows from operating activities:			
Loss for the year before tax		(628,907,316)	(258,991,619)
Adjustments for:			
Unrealized loss on investments at fair value through profit or loss	36	17,059,895	225,982,434
Share in income in associates	37	(1,908,734)	(5,114,426)
Allowance for committed loss/ impairment of investment in associates	13	38,635,570	13,345,533
(Gain) / Loss from disposal of subsidiary	37	(392,524)	12,548,280
Depreciation and amortization	38	32,453,227	34,890,416
Allowance for expected credit losses	44	340,815,839	514,881,920
Discounting loans and advances to customers		14,905,417	42,636,480
Loss on derecognition of financial assets measured at amortized cost		1,159	24,924,829
Loss on derecognition of financial assets measured at FVTOCI		-	6,345,701
Gain on disposal of property and equipment	37	(453,440)	(198,878)
Gain on disposal of assets acquired in satisfaction of loans	37	(15,206,990)	(29,076,661)
Provisions	23	95,950,400	101,864,671
Dividend income	36,37	274,739	-
		(106,772,758)	684,038,680
Net decrease in placements with banks		875,099,244	1,174,684,295
Net (increase)/decrease in loans to banks	7	(158,827)	6,919,504
Net decrease in loans and advances to customers	9	1,064,213,463	1,616,600,860
Net decrease in investment securities	10	302,766,836	312,472,500
Net (increase) in other assets	18	(57,746,726)	(8,313,123)
Net increase/(decrease) in deposits and borrowings from banks	19	50,303,220	(41,792,939)
Net decrease in customers' deposits at FVTPL		-	(58,596,447)
Net decrease in customers' deposits and related parties	20	(473,016,719)	(1,738,888,963)
Net decrease in other liabilities	22	(10,430,709)	(108,453,566)
Proceeds from disposal of assets acquired in satisfaction of loans		35,762,130	124,235,272
Settlements of provisions	23	(13,780,594)	(2,266,437)
		1,666,238,560	1,960,639,636
Income tax paid		(10,290,019)	(27,271,562)
Net cash generated by operating activities		**1,655,948,541**	**1,933,368,074**
Cash flows from investing activities:			
Proceeds from disposal of tangible and intangible assets		1,500,928	2,023,650
Net cash inflows on transfer shares in subsidiaries		-	70,868,399
Acquisition of tangible and intangible assets	15	(16,067,760)	(23,655,277)
Net cash (used in) / generated by investing activities		**(14,566,832)**	**49,236,772**
Cash flows from financing activities:			
Cash contribution to capital	26	162,103,472	-
Net decrease in other borrowings	21	(151,969,968)	(152,116,370)
Settlement of lease liabilities	16	(2,582,849)	(7,415,187)
Dividends paid	31	(5,494,325)	(9,902,693)
Net cash generated by / (used in) financing activities		**2,056,330**	**(169,434,250)**
Net increase in cash and cash equivalents		1,643,438,039	1,813,170,596
Unrealized currency translation adjustments		(18,822,070)	(26,182,324)
Cash and cash equivalents beginning of year		4,583,912,445	2,796,924,173
Cash and cash equivalents end of year	41	**6,208,528,414**	**4,583,912,445**

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 2022 %	Ownership Interest 2021 %	Business Activity
Fransa Invest Bank S.A.L. (a)	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	52.75	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	96.70	Restaurant
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 April 26, 2021, the Board of Directors resolved to merge its subsidiary Fransa Invest Bank S.A.L. On March 24,2022, the bank was notified the Central Bank of Lebanon preliminary approval.

Financial information of subsidiaries that have material non-controlling interests is provided under Note 29.

The Group has an ownership interest in the following associates:

Investee	Country of Incorporation	Interests Held 2022 %	Interests Held 2021 %	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 40.

1.1 The Macro Economic Environment

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

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

The difficulty in accessing foreign currencies led to the emergence of a parallel market to the peg whereby the price to access foreign currencies has been increasing constantly, deviating significantly from the peg of 1,507.5 USD/LBP. This has resulted in an uncontrolled rise in prices and the incessant de facto depreciation of the Lebanese Lira, impacting intensely the purchasing power of Lebanese citizens, driving a currency crisis, high inflation and rise in the consumer price index.

During 2020, in an attempt to control the high rise in prices and to compensate for the loss in the Lebanese people's purchasing power, the Central Bank of Lebanon, through several circulars, introduced the following measures:

a) Subsidised imports of essential goods (fuel oil, medicine and wheat) by providing foreign currencies for these imports at the rate of 1,507.5 USD/LBP (the official exchange rate). During 2021, this subsidy was lifted.
b) Introduced the Sayrafa Platform Rate, to be used only in specific circumstances.
c) Subsidised imports of Tier 2 food basket products (e.g. coffee, tea, canned food, imported meat) by providing foreign currencies for these imports at the Platform Rate. During 2021, this subsidy was lifted.
d) Introduced exceptional measures for bank depositors to withdraw small amounts of cash in LBP from their "local" foreign currency bank accounts at the Platform Rate, but up to limits set by the Group.

During May 2021, the Central Bank of Lebanon introduced the framework of exceptional measures for foreign-currency operations. Hence, banks operating in Lebanon must process customers' FX operations (buy and sell) related to their personal or commercial needs on the electronic platform "Sayrafa". Transactions with customers encompass purchase and sale of foreign currencies banknotes against LBP, as well as operations from/to foreign currencies external accounts against LBP. Sayrafa corresponds to a floating system and the Sayrafa average rate and volume of foreign currency operations are published on the website of the Central Bank of Lebanon.

However, despite these efforts, inflation increased at an accelerating pace, eroding the real value of the local currency and "local" foreign currency bank accounts (subject to unofficial capital controls), and tossing Lebanon in hyperinflation and major economic collapse.

In mid-2021, BDL Basic Circular 158 was issued defining the mechanism for the gradual settlement of foreign currency deposits up to an amount of USD 50,000 based on several eligibility criteria. Eligible funds will be transferred to a subaccount and paid on a monthly basis of USD 400 in cash or equivalent and an amount in

LBP equivalent to USD 400 and converted at a rate of LBP 12,000 to the US Dollar (before amendment at a rate of LBP 15,000 to the US Dollar on 20 January 2023) that will be paid 50% in cash and 50% credited to a payment card.

The Central Bank of Lebanon recently announced that as at 31 December 2022, 170,000 depositors have so far benefited from the application of this circular for a total amount of USD 1.2 billion.

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

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

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

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

The endorsed plan foresees a full audit of the Central Bank's forex financial standing by July. Then, the government "will cancel, at the outset, a large part of the Central Bank's foreign currency obligations to banks in order to reduce the deficit in BDL's capital", the document said. The largest 14 commercial banks, representing 83% of total assets, would also be audited. Viable banks would be recapitalized with "significant contributions" from banks' shareholders and large depositors.
The plan made no mention of a sovereign fund to manage state-owned assets but pledges to limit recourse to public assets, which had been a demand of Lebanon's commercial banks. The plan said it would protect small depositors "to the maximum extent possible" in each viable bank but did not lay out a minimum amount to be protected – unlike draft plans. Non-viable banks, however, would be dissolved by the end of November, it added. As of today, laws for the reinstatement of financial stability, for the resolution of banks and for capital controls are yet to be issued. The timeline for their issuance is affected by the presidential vacuum and political deadlock facing Lebanon. It also said the government would unify the official exchange rate, ending a system in which, the government offered various exchange rates for different operations.

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

Prior actions include the following measures prior the IMF Board's consideration:

- Cabinet approval of a bank restructuring strategy that recognizes and addresses upfront the large losses in the sector, while protecting small depositors and limiting recourse to public resources.
- Parliament approval of an appropriate emergency bank resolution legislation which is needed to implement the bank restructuring strategy.
- Initiation of an externally assisted bank-by-bank evaluation for the 14 largest banks.
- Parliament approval of a reformed bank secrecy law to bring it in line with international standards.
- Completion of the special purpose audit of the BDL's foreign asset position.
- Cabinet approval of a medium-term fiscal and debt restructuring strategy.
- Parliament approval of the 2022 budget, to start regaining fiscal accountability.
- Unification by BDL of the exchange rates for authorized current account transactions.

As of date, the parliament approved the reformed bank secrecy law and the 2022 budget. While no much progress was achieved on other fronts, the IMF issued in March 2023, the concluding statement of its 2023 Article IV Mission. It says Lebanon is at a particularly difficult juncture. For over three years, it has been facing an unprecedented crisis, with severe economic dislocation, a dramatic depreciation of the Lebanese lira and triple digit inflation that have had a staggering impact on people's lives and livelihoods. Unemployment and emigration have increased sharply, and poverty is at historically high levels. The provision of basic services like electricity, public health, and public education have been severely disrupted, and essential social support programs and public investment have collapsed. More broadly, capacity in public administration has been critically weakened. Groups are unable to extend credit to the economy and bank deposits are mostly inaccessible to customers. The presence of a large number of refugees exacerbates Lebanon's challenges.

Maritime border demarcation agreement

The maritime border demarcation agreement between Lebanon and Israel was finalized in October. The deal could enhance long-term economic prospects and improve the country's external position which is positive for Lebanon's credit profile, but implementation risks remain significant. International Rating Fitch disclosed that gas discoveries would generate important economic benefits for Lebanon, should the resources prove to be commercially viable. Moody's disclosed that the agreement is credit positive for Lebanon because it will help alleviate the country's chronic power deficit and kick-start an economic recovery. Such deals and initiatives are of a long term rather than imminent nature and the timing of the flow of economic benefit and positive development on Lebanon is uncertain.

Presidential vacuum

The presidential term has ended on 31 October 2022 without the election of a new President despite holding a number of electoral sessions that witness non-quorum in their second rounds. As such, Lebanon has entered a presidential vacuum since then, which has stalled cabinet formation, reforms and final IMF agreement.

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

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:

<u>Regulatory framework:</u>

- *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% and then increased to 75% in 2022
    Lebanese treasury bills in local currency: 0%
    Intermediate circular 649 issued on 24 November 2022 replaced the aforementioned five years and ten years deadline by the fixed dates of 31 December 2026 and 31 December 2029 respectively.
  - 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 (years 2021 and 2022 were subsequently added by way of Intermediate Circulars 616 and 659 respectively).
  - 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. However, on 20 January 2023, Intermediate Circular 659 capped the inclusion of revaluation of fixed assets at 50% under certain conditions while allowing the use of the prevailing Sayrafa rate at the end of each reporting period over 5 years. Besides, it widened the scope of revaluation to include participations and long-term loans to affiliated banks and financial institutions.
  - 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. The requirement was later amended through Intermediate Circular 645 to consider foreign currency deposits as at 30 September 2022 as the basis for the computation instead of 31 July 2020, thus lowering liquidity required levels as customers' deposits decreased over the period.

- *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.

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

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

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

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

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

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

Monetary policies and socio-economic support:

- *Intermediate Circular 648* issued on 1 November 2022 (amending Basic Circulars 14 and 67) reduced by 50% the interest rates served on foreign currencies placements with BDL and on Certificates of Deposits issued by BDL while continuing paying 50% of coupon payment in the instrument's currency and 50% in LBP at official rate (LBP 1,507.5 to the US Dollar until 31 January 2023 and LBP 15,000 to the US Dollar afterwards).

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

- *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). On 20 January 2023, Intermediate Circular 656 revoked the aforementioned provision effective 1 February 2023.

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

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

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. Intermediate Circular 601 issued on 8 December 2021 is an amendment to the provisions of Basic Circular 151. The circular stipulates that the Platform Rate to be applied for withdrawal cash from foreign currencies accounts is USD/LBP 8,000 up to a maximum limit of USD 3,000 per month. On 20 January 2023, Intermediate Circular 657 amended the rate to be USD/ LBP 15,000 instead of USD/ LBP 8,000 while reducing the limit from USD 3,000 per month to USD 1,600 per month.

- *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.

- *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 (before amendment USD/ LBP at 15,000 on 20 January 2023), noting that 50% of the amount will be paid in cash and 50% will be credited to a payment card.

  The 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, extended to 31 December 2023 by Intermediate Circular 626 issued on 21 June 2022.

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

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

1.3 The Group's Financial particulars

1.3.1 Foreign exchange

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

	2022		2021	
	Year-end Rate *LBP*	**Average Rate** *LBP*	Year-end Rate *LBP*	Average Rate *LBP*
US Dollar	**1,507.5**	**1,507.5**	1507.5	1507.5
Euro	**1,603.83**	**1,590.21**	1,701.52	1,786.92
Iraqi Dinar	**1.03**	**1.03**	1.03	1.03
Algerian Dinar	**10.97**	**10.62**	10.83	11.16
Sudanese Pound	**2.6**	**2.6**	3.4	3.4

The Group'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. However, several exchange rates have emerged since the last quarter of 2019 that vary significantly among each other and from the official one: parallel exchange markets and the Sayrafa rate that are highly volatile, the Platform Rate, estimated exchange rates detailed in the government's Financial Recovery Plan, in addition to different exchange rates adopted for commercial transactions purposes in Lebanon.

- On 21 April 2020, the Central Bank of Lebanon issued Basic Circular 151 concerning depositors who wish to withdraw amounts of cash from their "local" foreign currencies accounts as per a specific rate up to limits set by their bank. The limits set by banks in Lebanon had monthly averages of USD 3,000 per bank account. The specific rate was USD/LBP 3,900 throughout the period from the issuance of the circular. During December 2021, it was increased to USD 1 /LBP 8,000 and to US$ 1/LBP 15,000 subsequent to year end.

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

	2022		2021	
	Year-end Rate LBP	**Average Rate LBP**	Year-end Rate LBP	Average Rate for the period from 10 May to 31 December LBP
US Dollar	**38,000**	**26,433**	22,700	16,266

Because of the gap between the several exchange rates available, the number of variables and assumptions affecting the possible future resolution of the uncertainties is very high, increasing the subjectivity and complexity of the judgment and management was unable to determine the rate at which the future cash flows represented by the transaction or balance could have been settled depending on its source and nature, if those cash flows had occurred at the measurement date. Accordingly, the Group uses the official published exchange rate above to translate all balances and transactions in foreign currencies regardless of their source or nature, which does not represent a reasonable estimate of expected cash flows in Lebanese Lira 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 at the date of the consolidated financial statements. We are unable to estimate the effects on these consolidated financial statements.

In February 2023, the Central Bank of Lebanon changed the official published exchange rate from LBP1,507.5 to LBP15,000 to the US Dollars. Sayrafa Rates and parallel market rates remained highly volatile and divergent from the new official published exchange rate official (LBP42,000 and LBP62,240 respectively at 1 February 2023).

The consolidated financial statements as at and for the year ended 31 December 2022 do not include adjustments from the change in this rate from LBP1,507.5 to LBP15,000 to the US Dollars.

The Group will use the new rate of LBP15,000 in its subsequent financial information reporting, with the first period being the quarterly reporting as of 31 March 2023.

1.3.2 Hyperinflation in Lebanon

As of 31 December 2022, and 2021, all conditions have been met for the Group's consolidated financial statements to incorporate the inflation adjustment provided under IAS 29 "Financial Reporting in Hyperinflationary Economies". IFRS requires that financial statements of any entity whose functional currency is the currency of a hyperinflationary economy be restated into the current purchasing power at the end of the reporting period. Paragraph 4 of IAS 29 states that it is preferable for all entities that report in the currency of a hyperinflationary economy to apply the standard at the same date. In order to achieve uniformity as to the identification of an economic environment of this kind, IAS 29 provides certain guidelines: a cumulative three-year inflation rate exceeding 100% is a strong indicator of hyperinflation, but also qualitative factors, such as analyzing the behavior of population, prices, interest rates and wages should also be considered.

The Lebanese Central Administration of Statistics reported 3-year and 12-month cumulative rates of inflation of 1,670% and 122%, respectively, as of December 2022 (2021: 753% and 224%). Qualitative indicators, following the deteriorating economic condition and currency controls, also support the conclusion that Lebanon is a hyperinflationary economy for accounting purposes for periods ending on or after 31 December 2020.

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

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

(a) Financial statements must be adjusted to consider the changes in the currency's general purchasing power, so that they are expressed in the current unit of measure at the end of the reporting period.
(b) In summary, the restatement method under IAS 29 is as follows:

i. Monetary items are not restated in as much as they are already expressed in terms of the measuring unit current at the closing date of the reporting period. In an inflationary period, keeping monetary assets generates loss of purchasing power and keeping monetary liabilities generates an increase in purchasing power. The net monetary gain or loss shall be included as income for the period for which it is reported.
ii. Non-monetary items carried at the current value of the end date of the reporting period shall not be restated to be presented in the balance sheet, but the restatement process must be completed in order to determine into the current purchasing power at the end of the reporting period the income derived from such non-monetary items.
iii. Non-monetary items carried at historical cost or at the current value of a date prior to the end of the reporting period are restated using coefficients that reflect the variation recorded in the general level of prices from the date of acquisition or revaluation to the closing date of the reporting period, then comparing the restated amounts of such assets with the relevant recoverable values. Depreciation charges of property, plant and equipment and amortization charges of intangible assets recognized in profit or loss for the period, as well as any other consumption of non-monetary assets will be determined based on the new restated amounts.
iv. Income and expenses are restated from the date when they were recorded, except for those profit or loss items that reflect or include in their determination the consumption of assets carried at the purchasing power of the currency as of a date prior to the recording of the consumption, which are restated based on the date when the asset to which the item is related originated; and except those profit or loss items originated from comparing two measurements expressed in the purchasing power of currency as of different dates, for which it is necessary to identify the compared amounts, restate them separately, and compare them again, but with the restated amounts.
v. At the beginning of the first year of application of the restatement method of consolidated financial statements in terms of the current measuring unit, the prior-year comparatives are restated in terms of the measuring unit current at the end of the current reporting period. The equity components, except for reserved earnings and undistributed retained earnings, shall also be restated, and the amount of undistributed retained earnings shall be determined by the difference between net assets restated at the date of transition and the other components of opening equity expressed as indicated above, once all remaining equity components are restated.

As of the date of the accompanying consolidated financial statements, for the reasons described below, Management is temporarily unable to apply the above-mentioned standard nor is it able to quantify the effect that the application of IAS 29 would have on the presented consolidated financial statements. However, Management estimates such effects to be significant. This situation must be taken into account when interpreting the information reported by the Group in the accompanying consolidated financial statements including its consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement.
The Group uses the official exchange rate of 1,507.5 LBP/USD to translate balances and transactions in foreign currencies. Since the emergence of the parallel market and since the introduction by the Central Bank of Lebanon of the “Sayrafa Rate” and the “Platform Rate”, the Lebanese market has witnessed multiple pricing and valuations of balances receivable and payable and operations in foreign currencies, depending on the settlement method which is based on unofficial markets. The Bank is translating balances (assets and liabilities) and transactions in foreign currencies at the official published exchange rate, which does not represent a reasonable estimate of expected cash flows in Lebanese Liras 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 consolidated financial statements.

In addition, IAS 29 requires the use of a general price index to reflect changes in purchasing power. Most governments issue periodic price indices that vary in their scope, but all entities that report in the currency of the same economy should use the same index. The consumer price index is normally closest to the concept of the general price index required by IAS 29 because it is at the end of the supply chain and reflects the impact of prices on the general population's consumption basket. The weights allocated for the calculation of the consumer price index impact the consumer price index and might need to be revisited based on the new behavior of the population as a result of the crisis facing Lebanon.

Such matters impede a proper application of IAS 29 as any application under the current circumstances would not provide more relevant financial statements to Management, shareholders and other users.

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

1.3.3 Exposure to financial instruments

As at December 31, 2022, the Group's net credit exposure to Lebanese sovereign debt, including BDL, represented approximately 69% of total assets (2021: 68%).
As at 31 December 2022, loss allowances on assets held at the Central Bank of Lebanon and the portfolio of Lebanese government securities held at amortized cost are recorded in these consolidated financial statements at the loss rates mentioned in the Central Bank of Lebanon's Intermediate Circular 567 for 10 years. Due to the high levels of uncertainties, the lack of observable indicators, and the lack of visibility on the government's plans with respect to the Group's exposures to the Central Bank of Lebanon and Lebanese sovereign, we are unable to estimate in a reasonable manner expected credit losses on these exposures. Accordingly, these consolidated financial statements do not include adjustments of the carrying amount of these assets to their recoverable amounts based on International Financial Reporting Standards and an expected credit loss model.

The impact is expected to be pervasive and will be reflected in the consolidated financial statements once the debt restructuring has been defined conclusively by the government and all uncertainties and constraints are resolved and the mechanism for allocating losses by asset class and currency is clear and conclusive. Maximum exposures to the credit risk of the Central Bank of Lebanon and the Lebanese government and the recognized loss allowances, as well as their staging are detailed in note 44 to these consolidated financial statements.

Fair values of financial assets originated in Lebanon have been determined by the Group using notional prices quoted on inactive and illiquid markets or using yield curves that are not reflective of economic reality and market conditions. In the absence of reliable data, the 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 Group's financial standing is unknown.

The financial position of the Group, as reported in these consolidated financial statements, does not reflect the adjustments that would be required by IFRS as a result of the future government reform program, the deep recession, the currency crisis and the hyperinflation. Due to the high levels of uncertainties, the lack of observable indicators, the high gap between the parallel market rates, the Sayrafa rate, the Platform Rate and the official published exchange rate and the lack of visibility on the government's plans with respect to: (a) the high exposures of banks with the Central Bank of Lebanon, (b) the Lebanese Sovereign securities, and (c) the currency exchange mechanisms and currency exchange rates that will be applied, management is unable to estimate in a reasonable manner, the impact of these matters on its consolidated financial position.

Management 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 Group and the recapitalization needs that will arise once the necessary adjustments are determined and recorded.

As disclosed in Note 46 to these consolidated financial statements, the Group's capital adequacy ratio as at December 31, 2022 and 2021, 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 Group 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 Group to litigations that are dealt with on a case-by-case basis when they occur. The Group has been subject to increased litigations as a result of these restrictive measures adopted by Lebanese banks in relation to withdrawal of funds and transfers abroad, as well as in relation to the repayment by customers of local foreign currency loans in Lebanese pound. Management is carefully considering the impact of these existing litigations and claims. There are still uncertainties related to the consequences of these restrictive measures based on the current available information and the prevailing laws and local banking practices. However due to recent development and the increasing trend in judgments ruled in favor of the plaintiffs and customers during 2021 and 2022, management considers that they may affect negatively the offshore liquidity of the Group, its foreign assets and its foreign currency exposure as disclosed in Note 39. 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 Group to increased litigation and regulatory risks and negatively impact the financial position of the Group, its regulatory ratios and covenants due the adverse effects of the uncertainties. There is a significant uncertainty in relation to the extent and period over which this situation will continue and the impact that conducting operations under a crisis environment in the foreseeable future will further have on the Group's financial position, future cashflows, results of operations, regulatory ratios and covenants. The Group'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. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

2.1 New and amended Standards and Interpretations 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, 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- ***IFRS 9 Financial Instruments – Fees in the "10 per Cent" Test for Derecognition of Financial Liabilities***

  As part of its 2018-2020 annual improvements to the IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

- **Onerous Contracts – Costs of Fulfilling a Contract – *Amendments to IAS 37***

  In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.
  The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments are not expected to have a material impact on the Group.

2.2 Standards issued but not yet effective

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.

- ***Definition of Accounting Estimates – Amendments to IAS 8***

  In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.
  The amendments are effective for annual reporting periods beginning on or after 1 January 2023, and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

- ***Amendments to IAS 1: Classification of Liabilities as Current or Non-current***

  In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.

That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The amendments are not expected to have a material impact on the Group.

- ***Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2***

  In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgments, in which it provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim at helping entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant' accounting policies" with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

  The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The amendments are not expected to have a material impact on the Group.

- ***Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12***

  In May 2021, the Board issued amendments to IAS 21, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The Bank is currently assessing the impact of the amendments on its separate financial statements.

- ***Amendments to IFRS 16 Leases – Lease liability in a sale and leaseback***

  On 22 September 2022, the IASB has issued narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16 explaining how a seller-lessee accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or a rate are most likely to be impacted.

  The amendments are applicable for annual periods beginning on or after 1 January 2024.

- ***IFRS 17 Insurance Contracts***

  In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

Credit cards and similar products that provide insurance coverage: most issuers of these products will be able to continue with their existing accounting treatment as a financial instrument under IFRS 9. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provide credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer.

When the insurance coverage is provided as part of the contractual terms of the credit card, the issuer is required to:

- Separate the insurance coverage component and apply IFRS 17 to it.
- Apply other applicable standards (such as IFRS 9, IFRS 15 Revenue from Contracts with Customers or IAS 37 Provisions, Contingent Liabilities and Contingent Assets) to the other components.

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder’s obligation created by the contract: Issuers of such loans have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Group is still assessing the impact of these amendments on the separate financial statements.

Management anticipates that these new Standards, Interpretations and amendments will be adopted in the Group’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 Group 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 Standards Board (IASB).

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments measured at fair values 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.

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

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

The principal accounting policies applied are set out below:

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. <u>Business Combination</u>

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

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

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

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

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

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.
If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within "Financial liabilities at fair value through profit or loss" and measured at fair value with any gains or losses included in "Net trading (loss) gain" in the consolidated income statement.

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 (referred to as the fair value option).

Debt instruments at amortized cost or at FVTOCI

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

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

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

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

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

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

Financial assets at FVTPL

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

These assets are measured at fair value, with any gains/losses arising on re-measurement recognized in profit or loss. Fair value is determined in the manner described under note 44.

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.

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.

<u>Credit-impaired financial assets</u>

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

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

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

Purchased or originated credit-impaired (POCI) financial assets

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

Definition of default

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

The Group considers 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 defaults which are either developed internally or obtained from external sources.

Significant increase in credit risk

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

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

Modification and derecognition of financial assets

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

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

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

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

Write-off

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

Presentation of allowance for ECL in the statement of financial position

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

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

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 recognized at the proceeds received, net of direct issue costs.

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

Financial liabilities

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 recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain/loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'net income from other financial instruments at FVTPL' line item in the profit or loss account.

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

In making the determination of whether recognizing changes in the liability's credit risk in OCI will create or enlarge an accounting mismatch in profit or loss, the Group assesses whether it expects that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. This determination is made at initial recognition.
Fair value is determined as described under note 44.

Other financial liabilities

Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.
The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For details on EIR see the "net interest income section" above.

Derecognition of financial liabilities

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

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

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 recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each statement of financial position date. The resulting gain/loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations (net investment hedges).

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

Embedded derivatives

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

I. Financial Guarantee Contracts

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

Financial guarantee contracts issued by 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 recognized less, where appropriate, cumulative amount of income recognized in accordance with the Group's revenue recognition policies.

Financial guarantee contracts not designated at FVTPL are presented as provisions on the 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 amortized from equity to profit or loss on a rational basis (e.g. straight-line) over the term of the hedging relationship.

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

Fair value hedges

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

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

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

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

Cash flow hedges

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

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

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

Hedges of net investments in foreign operations

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

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

K. Investments in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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 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	15% - 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.

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. Net 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 recognized in "Net interest income" as "Interest income" and "Interest expense" in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period, see "Net (loss)/income from financial assets at fair value through profit or loss".

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

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

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

U. Net Fee and Commission Income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or liability (e.g. commissions and fees earned on loans) are included under interest income and expense.
Other fees 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 "Impairment of tangible and intangible assets" 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 Group's accounting policies:

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

Going Concern:
Notwithstanding the uncertainties resulting from the events and conditions disclosed under Note 1, these 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 recognized, 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 44 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 Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re- segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used:
The Group uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See Note 3 and Note 44 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 42. 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.

Impairment losses on financial assets

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs. Elements of the ECL models that are considered accounting judgements and estimates include:

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

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

5. CASH AND DEPOSITS WITH CENTRAL BANKS

	December 31, 2022		December 31, 2021	
	Balance LBP'000	of wich Compulsory/ Regulatory Deposits LBP'000	Balance LBP'000	of wich Compulsory/ Regulatory Deposits LBP'000
Cash on hand	736,375,572	-	259,674,856	-
Central Bank of Lebanon:				
Current accounts	4,222,752,006	666,051,409	2,658,002,520	411,681,240
Term placements	4,517,873,092	1,572,746,187	5,334,145,401	1,730,018,833
Term placements subject to leverage arrangements (Note 11)	2,863,748,398	-	3,236,898,458	-
Other Central Banks:				
Current accounts	127,144,284	-	327,152,289	-
Term placements	109,376,079	-	-	-
Accrued interest receivable	140,050,472	-	173,474,159	-
	12,717,319,903	2,238,797,596	11,989,347,683	2,141,700,073
Allowance for expected credit losses (Note 44)	(145,535,392)	-	(65,520,011)	-
	12,571,784,511	**2,238,797,596**	**11,923,827,672**	**2,141,700,073**

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% (2021:14%) of customers deposits in foreign currencies, certificates of deposit and borrowings acquired from non-resident financial institutions.

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

	December 31, 2022 LBP'000	December 31, 2021 LBP'000
Items for collection	13,503	667
Current accounts with banks and financial institutions	416,138,871	673,029,882
Term placements with banks and financial institutions	62,371,783	4,017,736
Term placements with related banks and financial institutions	244,450,611	56,990,923
Blocked margins with banks and financial institutions	-	814,742
Accrued interest receivable	170,249	37,104
	723,145,017	734,891,054
Allowance for expected credit losses (Note 44)	(4,073,735)	(3,950,075)
	719,071,282	**730,940,979**

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

	December 31, 2022 LBP'000	December 31, 2021 LBP'000
Onshore	9,218,843	3,199,642
Offshore	713,926,174	731,691,412
	723,145,017	**734,891,054**

7. LOANS TO BANKS

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

	December 31, 2022 LBP'000	December 31, 2021 LBP'000
Performing:		
Loans to banks	9,805,195	9,400,000
Accrued interest receivable	12,324	51,246
Allowance for expected credit losses (Note 44)	(30,240)	(177,750)
	9,787,279	**9,273,496**
Credit Impaired:		
Loan to a bank	46,337,290	46,583,658
Allowance for expected credit losses (Note 44)	(42,958,085)	(43,204,709)
	3,379,205	3,378,949
	13,166,484	**12,652,445**

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,	
	2022	2021
	LBP'000	LBP'000
Investment properties	-	20,995,135
Deferred assets adjustments to reach fair value less cost to sell	-	926,183
Assets held for sale	**-**	**21,921,318**
Other liabilities	-	776,065
Liabilities associated with assets held for sale	**-**	**776,065**

On May 17, 2022, the BLC Bank's directors approved the sale of its entire participation in the share capital of USB Holdings PLC for a total consideration of EUR 18,318,263 after the payment to the minority shareholders.

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)**
Effect of exchange rate changes	1,578,354
Balance as at December 31, 2022	**(6,802,422)**

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.

9. LOANS AND ADVANCES TO CUSTOMERS

	December 31, 2022		
	Gros 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	866,349,327	(32,389,212)	833,960,115
Corporates	2,023,411,191	(57,407,009)	1,966,004,182
Small and medium enterprises	102,412,299	(13,556,297)	88,856,002
Accrued interest receivable	14,378,198	-	14,378,198
	3,006,551,015	(103,352,518)	2,903,198,497
Stage 3			
Substandard	512,842,846	(87,576,008)	425,266,838
Doubtful	537,940,728	(250,219,459)	287,721,269
Bad	223,842,304	(185,544,179)	38,298,125
	1,274,625,878	(523,339,646)	751,286,232
	4,281,176,893	**(626,692,164)**	**3,654,484,729**

	December 31, 2021		
	Gros 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
Corporates	2,343,883,090	(145,939,919)	2,197,943,171
Small and medium enterprises	210,345,463	(17,208,217)	193,137,246
Accrued interest receivable	19,392,833	-	19,392,833
	4,106,246,206	(228,185,876)	3,878,060,330
Stage 3			
Substandard	487,886,850	(70,884,912)	417,001,938
Doubtful	579,499,733	(262,259,478)	317,240,255
Bad	196,803,121	(161,278,797)	35,524,324
	1,264,189,704	(494,423,187)	769,766,517
	5,370,435,910	**(722,609,063)**	**4,647,826,847**

The carrying value of loans and advances to customers include performing loans and advances to related parties in the aggregate of LBP2.71billion (2021: LBP14.4billion) (Note 40).

Discounts on settlement of loans and advances to customers during the year amounted to LBP14.9billion (2021: LBP42.6billion) recognized in the statement of profit or loss.

10. INVESTMENT SECURITIES

The investment securities outstanding as at December 31, 2022 and 2021 are detailed as follows:

	December 31, 2022			
	Fair Value Through Profit or Loss LBP'000	Amortized Cost LBP'000	Fair Value through OCI LBP'000	Total LBP'000
Equity and preferred shares	58,509,543	-	212,656,086	271,165,629
Lebanese treasury bills	1,389,255	883,824,683	4,943,833	890,157,771
Lebanese government bonds	14,333,777	1,691,707,299	131,994,612	1,838,035,688
Certificates of deposit issued by BDL	-	1,700,094,870	4,071,820	1,704,166,690
Corporate bonds	-	68,252,689	-	68,252,689
Bonds issued by banks	1,852,567	1,097,000	-	2,949,567
Term placements with BDL	78,675,881	-	-	78,675,881
	154,761,023	**4,344,976,541**	**353,666,351**	**4,853,403,915**
Allowance for expected credit losses (Note 44)	-	(1,018,441,379)	(124,086,247)	(1,142,527,626)
Accrued interest receivable	1,139,405	64,696,425	266,247	66,102,077
	155,900,428	**3,391,231,587**	**229,846,351**	**3,776,978,366**

	December 31, 2021			
	Fair Value Through Profit or Loss LBP'000	Amortized Cost LBP'000	Fair Value through OCI LBP'000	Total 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 44)	-	(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**

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.

The Group has Lebanese Treasury Bills, Lebanese Government Bonds and certificates of deposit issued by Central Bank of Lebanon with carrying value of LBP10billion as of December 31, 2022 that were pledged against soft loans and credit facilities granted by the Central Bank of Lebanon – (Notes 21 & 42) (2021: LBP51billion).

10.1 Investments at fair value through other comprehensive income:

	December 31, 2022		
	Cost LBP'000	Fair Value LBP'000	Cumulative Change in Fair Value LBP'000
Equity and preferred shares	200,074,413	212,656,086	12,581,673
Lebanese treasury bills	4,938,936	4,943,833	4,897
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
	342,288,409	**353,666,351**	**11,377,942**
Deferred tax adjustment			(529,328)
			10,848,614

	December 31, 2021		
	Cost LBP'000	Fair Value LBP'000	Cumulative Change in Fair Value 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

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

	December 31,	
	2022	2021
	LBP'000	LBP'000
Assets under leverage arrangements:		
Term placements with central bank of Lebanon	3,071,740,000	3,551,861,250
Lebanese treasury bills	428,886,847	466,138,297
	3,500,626,847	**4,017,999,547**
Less:		
Borrowings under leverage arrangements	(3,500,626,847)	(4,017,999,547)
Net	**-**	**-**

Assets under leverage arrangement consist of term placements with the Central Bank of Lebanon and Lebanese Treasury bills in LBP subject to average interest rate of 9.9% (2021: 9.9%) 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,	
	2022	2021
	LBP'000	LBP'000
Term placements with central bank of Lebanon	2,775,682,446	3,066,274,875
Term placement with the Central bank of Lebanon in LBP originated from sale of foreign currency	68,383,952	150,941,583
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
	2,863,748,398	**3,236,898,458**
Lebanese government bonds	108,958,890	108,958,890
	2,972,707,288	**3,345,857,348**

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 2022 and 2021 (Note 44). 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 are not listed and are detailed as follows:

	Country of Incorporation	Interest Held 2022 %	Interest Held 2021 %	December 31, 2022 LBP'000	December 31, 2021 LBP'000
Bancassurance S.A.L	Lebanon	60	60	10,644,416	10,747,152
United Capital Bank	Republic of Sudan	20	20	8,335,881	7,265,513
International Payment Network	Lebanon	20.30	20.30	1,555,602	667,208
				20,535,899	**18,679,873**

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 2022 LBP'000	Bancassurance 2021 LBP'000	United Capital Bank 2022 LBP'000	United Capital Bank 2021 LBP'000
Cash and banks	155,931,092	195,824,571	66,070,546	86,814,534
Loans and advances	-	-	101,219,239	80,090,951
Investment securities	198,234,679	266,903,260	172,028	125,852
Property and equipment, net	-	-	3,422,853	4,111,020
Other assets	22,853,486	22,228,236	3,296,866	2,286,187
Deposits from banks	-	-	(1,176,120)	(1,023,947)
Deposits from customers	-	-	(79,545,336)	(78,813,909)
Equity of unrestricted investment account	-	-	(39,663,837)	(45,293,596)
Insurance contracts liabilities	(405,922,875)	(449,570,131)	-	-
Other liabilities and provisions	(25,010,190)	(24,240,439)	(12,054,923)	(11,969,428)
Net assets	**(53,913,808)**	**11,145,497**	**41,741,316**	**36,327,664**
Group's share in net assets (excluding Goodwill)	**(32,348,285)**	**6,687,298**	**8,348,263**	**7,265,533**
Net revenues	18,145,495	25,548,481	10,580,983	6,924,722
Net income from financial assets at FVTPL	(7,535,669)	321,107	-	-
Claims paid and change in insurance liabilities	4,596,410	(917,955)	-	-
Other income (net)	1,320,438	552,447	17,281,837	27,622,078
Operating expenses	(13,953,074)	(11,913,977)	(11,159,406)	(6,758,392)
Income tax expense	(1,030,686)	(978,005)	(2,001,362)	(895,392)
Provision for expected credit losses	(65,935,530)	(12,611,252)	(729,906)	(245,628)
Net (loss)/profit for the year	**(64,392,616)**	**846**	**13,972,146**	**26,647,388**
Group's share in net (loss)/profit	**(38,635,570)**	**508**	**2,794,429**	**5,239,499**

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

	December 31,	
	2022	2021
	LBP'000	LBP'000
Balance January 1	18,679,873	26,976,784
Share in net income (Note 37)	1,908,734	5,114,426
Board of directors' remuneration	(65,130)	(72,068)
Excess loss over investment in Bancassurance	-	(13,345,533)
Currency translation adjustment	12,422	6,264
Balance December 31	**20,535,899**	**18,679,873**

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.

During the year 2022 the Bank recognized, in the statement of profit or loss, the excess of its committed share loss over its investment in Bancassurance S.A.L in the amount of LBP38.6billion recorded under "Allowance for impairment of investment in an associate" against provisions (notes 23 and 37), representing portion of the Bank's share in the company's current year losses.

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, 2022 and 2021.

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	Impairment	Carrying Value
	LBP'000	LBP'000	LBP'000
Balance as at January 1, 2021	223,634,230	(12,175,760)	211,458,470
Acquisitions	47,480,914	-	47,480,914
Disposals	(95,158,610)	265,224	(94,893,386)
Balance as at December 31, 2021	**175,956,534**	**(11,910,536)**	**164,045,998**
Foreclosures	5,125,502	-	5,125,502
Disposals	(20,555,140)	687,534	(19,867,606)
Balance as at December 31, 2022	**160,526,896**	**(11,223,002)**	**149,303,894**

Gain on disposals amounted to LBP15billion (2021: LBP29billion) recognized under "Other operating loss/income (net)" in the consolidated statement of profit or loss (Note 37).

15. TANGIBLE AND INTANGIBLE ASSETS

15.1 Property and equipment

	Balance at January 1, 2022 LBP'000	Additions and transfers LBP'000	Disposals LBP'000	Currency Translation Adjustment LBP'000	Balance at December 31, 2022 LBP'000
Cost:					
Buildings	385,965,109	1,597,109	(1,112,694)	674,646	387,124,170
Furnitures, equipment and computers	178,314,763	3,875,879	(4,029,741)	850,921	179,011,822
Vehicules	5,421,654	97,068	(28,372)	10,943	5,501,293
Office improvements and instalations	163,779,342	6,582,057	(392,214)	260,274	170,229,459
Advance payments	10,173,693	2,193,412	-	-	12,367,105
	743,654,561	14,345,525	(5,563,021)	1,796,784	754,233,849
Accumulated depreciation	(302,086,724)	(24,207,600)	4,515,533	(268,187)	(322,046,978)
Provision for impairment	(3,438,425)	-	-	-	(3,438,425)
Net carrying value	**438,129,412**				**428,748,446**

	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
Furnitures, equipment and computers	185,197,409	2,798,506	(5,306,382)	(732,444)	(3,642,326)	178,314,763
Vehicules	6,340,860	-	(593,249)	(271,817)	(54,140)	5,421,654
Office improvements and instalations	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**

15.2 Intangible assets

	Balance at January 1, 2022 LBP'000	Additions and transfers LBP'000	Disposals LBP'000	Currency Translation Adjustment LBP'000	Balance at December 31, 2022 LBP'000
Cost:					
Purchase Software	40,663,927	2,037,043	-	(163,478)	42,537,492
	40,663,927	2,037,043	-	(163,478)	42,537,492
Accumulated Amortization:					
Purchase Software	(32,154,687)	(4,002,845)	-	89,530	(36,068,002)
	(32,154,687)	(4,002,845)	-	89,530	(36,068,002)
Advance Payments	6,937,154	(314,808)	-	-	6,622,346
Carrying Value	**15,446,394**				**13,091,836**

	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 Amortization:						
Purchase Software	(28,962,591)	(4,454,597)	57,172	852,275	353,054	(32,154,687)
	(28,962,591)	(4,454,597)	57,172	852,275	353,054	(32,154,687)
Advance Payments	7,163,971	(226,817)	-	`	-	6,937,154
Carrying Value	**19,290,227**					**15,446,394**

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.

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

	Right-of-use Assets LBP'000	Lease Liabilities LBP'000
Balance at January 1, 2021	54,164,188	57,327,742
Amortization of right of use assets (Note 38)	(4,683,253)	-
Interest expense (Note 33)	-	3,695,252
Payments	-	(7,415,187)
Adjustments/cancelation on lease contracts	(12,847,771)	(13,327,169)
Balance at December 31, 2021	**36,633,164**	**40,280,638**
Amortization of right of use assets (Note 38)	(4,242,782)	-
Interest expense (Note 33)	-	2,713,059
Payments	-	(2,582,849)
Adjustments/cancelation on lease contracts	(3,611,804)	(7,150,749)
Balance at December 31, 2022	**28,778,578**	**33,260,099**

The amortization of right-of-use assets is presented under "depreciation and amortization" in the consolidated statement of profit or loss. The interest expense on lease liabilities is presented under "interest expense".

17. GOODWILL

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

	December 31,	
	2022 LBP'000	2021 LBP'000
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	**48,182,949**

18. OTHER ASSETS

This caption consists of the following:

	December 31, 2022 LBP'000	December 31, 2021 LBP'000
Deferred interest on customers' deposits (a)	-	3,059,351
Deferred tax asset	5,175,267	4,851,604
Regulatory blocked deposit (b)	7,896,435	8,472,210
Assets in process of acquisition in settlement of loans (c)	1,011,272	1,011,272
Deferred charges on long term placements with BDL	208,381	415,593
Deferred losses on exchange of debt securities (Note 10) (d)	20,405,939	22,922,828
Other deferred charges	554,689	766,692
Prepayments	21,704,119	15,984,137
Accrued income	876,840	1,101,305
Receivables from Central Bank of Lebanon (e)	149,066,602	40,580,795
Sundry accounts receivable	89,582,191	99,022,305
Allowance for expected credit losses (Note 44)	(1,199,477)	(10,837,427)
	295,282,258	**187,350,665**

a) Deferred interest on customers' deposits represents 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 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.

c) 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 satisfaction of loans" when the registration in the name of the Group is finalized.

d) 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 2022, an amount of LBP2.5billion was amortized and recorded under "Interest income" in the consolidated statement of profit or loss (2021: LBP2.3billion). Subsequently in 2023, this balance was totally amortized.

e) In light of Central Bank of Lebanon 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, LBP12,000/USD and LBP15,000/USD in 2023 respectively. Also, in December 16, 2021 the Central Bank of Lebanon issued basic circular 161 whereby he will be providing banks with US dollar up to the limits set for each bank, at the Sayrafa rate. As at December 31, 2022 balance receivable from Central bank on customers' withdrawals amounted to LBP149billion (2021: LBP40.5billion). Subsequent to the reporting date, the Group 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,	
	2022	2021
	LBP'000	LBP'000
Current deposits of banks and financial institutions	30,669,976	80,823,017
Current deposits - Related parties	2,039,515	96,620
Money market deposits	56,243,030	53,018,431
Other short-term borrowings	110,527,141	15,238,374
Accrued interest payable	147,636	94,829
Accrued interest payable - related parties	6,510	1,562
	199,633,808	**149,272,833**

20. DEPOSITS FROM CUSTOMERS AND RELATED PARTIES

Customers' accounts at amortized cost are detailed as follows:

	December 31,	
	2022	2021
	LBP'000	LBP'000
Deposits:		
Current/demand deposits	6,995,786,709	5,895,141,884
Term deposits	10,604,697,161	12,101,028,430
Collateral against loans and advances	137,549,103	186,861,023
Margins and other accounts:		
Margins against import letters of credit	66,486,251	67,153,742
Margins against letters of guarantee issued	75,941,571	83,661,150
Other margin	157,375,877	175,671,507
Blocked accounts	62,313,313	63,648,968
Accrued interest payable	17,121,865	25,643,764
Total	**18,117,271,850**	**18,598,810,468**

Customers' deposits include related parties detailed as follows:

	December 31,	
	2022	2021
	LBP'000	LBP'000
Current assets	33,495,293	151,074,020
Term deposits	774,592,013	818,525,547
Collateral against loans and advances	1,495,720	389,425
Margins	6,366	6,254
Accrued interest payable	774,118	1,562,416
	810,363,510	**971,557,662**

Deposits from customers at amortized cost include coded deposit accounts amounting to LBP35.6billion (2021: LBP154.8billion). These accounts are subject to the provisions of Article 3 of the Lebanese Banking Secrecy Law dated September 3, 1956 which provides that the Group'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 LBP2.7billion (2021: LBP4.06billion from resident banks respectively).

In 2021, current/demand deposits from related parties included an amount of LBP163billion which was allocated for the second payment of the shareholder's cash contribution to capital during 2022 in alignment with Central Bank of Lebanon intermediate circular No.532 (Note 26).

21. OTHER BORROWINGS

	December 31,	
	2022	**2021**
	LBP'000	**LBP'000**
Borrowings from European Investment Bank (a)	89,411,042	85,974,414
Borrowings from Agence Française de Developement (b)	28,832,634	27,185,159
Borrowings from International Finance Corporation (c)	35,381,396	33,995,333
Borrowings from Central Bank of Lebanon (d)	549,945,378	676,678,368
Borrowings from SANAD (e)	21,100,301	20,793,076
Reconstruction and Development International Bank	1,562,362	1,516,892
Green bonds (f)	87,983,750	82,227,273
Payable on acquisition of additional shares in subsidiaries (Note 8)	-	37,816,316
	814,216,863	**966,186,831**
Accrued interest payable	3,536,001	5,051,095
	817,752,864	**971,237,926**

(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,		
	2022	**2022**	**2021**
	U.S. Dollar	**C/V LBP'000**	**C/V LBP'000**
Year 2020 - Unsettled Overdue	6,308,247	9,509,682	9,509,682
Year 2021 - Unsettled Overdue	11,240,645	16,945,272	16,945,272
Year 2022 - Unsettled Overdue	13,520,332	20,381,903	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	4,745,878	4,745,881
	59,310,806	**89,411,042**	**85,974,414**

(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 and interests of LBP14billion.

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

(c) Borrowing from International Finance Corporation:

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

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

Balances as at year end include unsettled overdue payments and interests of LBP14.7billion.

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

(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 Group benefited from credit facilities granted against certain loans that the Group 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 LBP356million and LBP10.1billion respectively (2021: LBP41.1billion and LBP10.1billion respectively) (Note 42).

(e) Borrowing from SANAD Fund for MSME:

In 2017, a 7-year credit line in the amount of USD20million was granted to the Group 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 and interests of LBP10.4billion.

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

(f) Green Bonds:

During 2018, the Group 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 and interests of LBP46.7billion.

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,	
	2022	2021
	LBP'000	LBP'000
Balance January 1	966,186,831	1,118,303,201
Net additions/(settlements)	(151,969,968)	(152,116,370)
Balance December 31	**814,216,863**	**966,186,831**

22. OTHER LIABILITIES

	December 31,	
	2022	2021
	LBP'000	LBP'000
Current tax liability (a)	9,100,911	14,866,258
Deferred tax liability on items recognized in other comprehensive income	3,942,530	4,158,839
Deferred tax liability on undistributed profits of subsidiaries and associates of the Bank	11,608,509	13,732,371
Other deferred income tax liability	1,241,607	7,937,581
Withholding and other taxes payable	20,008,090	17,903,480
Due to the Social Security National Fund	3,458,902	2,446,014
Checks and incoming payment orders in course of settlement	42,834,861	43,758,962
Blocked capital subscriptions for companies under incorporation	-	409,714
Accrued expenses	81,621,905	84,353,049
Sundry accounts payable	77,699,058	82,938,709
	251,516,373	**272,504,977**

(a) Income tax liability is calculated as follows:

	December 31,	
	2022	2021
	LBP'000	LBP'000
Loss before tax from continuing operations	(628,907,316)	(258,991,619)
Income tax on enacted applicable rates	(120,071,734)	(35,023,757)
Effect of non-deductible expense and non-taxable income	123,702,178	50,455,748
Income tax expense	**3,630,444**	**15,431,991**
Add / (Less) Tax paid in advance and deferred tax	5,470,467	(565,733)
	9,100,911	**14,866,258**

23. PROVISIONS

	December 31, 2022 LBP'000	December 31, 2021 LBP'000
Provision for staff end-of-service indemnities (a)	74,475,318	23,036,942
Provision for contingencies (b)	171,217,329	135,929,029
Allowance for committed losses in an associate (Note 37)	38,635,570	-
Allowance for expected credit losses on financial guarantees and off-balance sheet commitments (Note 39)	15,269,388	13,327,849
Provision for loss on foreign currency position	1,865,902	1,288,456
Provision for Off-balance sheet risk	240,000	240,000
Others	7,539,883	2,475,450
	309,243,390	**176,297,726**

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

	December 31, 2022 LBP'000	December 31, 2021 LBP'000
Balance January 1	23,036,942	17,598,811
Additions	54,338,700	7,704,568
Settlements	(2,900,324)	(2,266,437)
Balance December 31	**74,475,318**	**23,036,942**

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

	December 31, 2022 LBP'000	December 31, 2021 LBP'000
Balance January 1	135,929,029	12,637,838
Additions	41,611,700	94,160,103
Settlements	(10,880,270)	-
Effect of exchange rates changes	(19,369)	(106,715)
Reclassification from other liabilities	4,576,239	29,237,803
Balance December 31	**171,217,329**	**135,929,029**

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

24. 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.

25. PREFERRED SHARES

	Nominal Value				Share Premium	
	Year of Issue	Number of shares	2022 LBP'000	2021 LBP'000	2022 LBP'000	2021 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**

26. 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 2022 amounted to LBP1.28billion (2021: LBP1.28billion) (Note 33).

Also, 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 initially 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 respectively USD82.11million (LBP123.78billion), USD107.5million (LBP162.1billion).
Subsequently to year end an amount of USD3.081million (LBP4.64billion), previously secured by the Bank, was approved by the Central Bank of Lebanon and the remaining USD12.7million was secured by the Bank on January 18, 2023 awaiting BDL approval.

Related interest expenses for 2021 amounted to LBP9.9billion and LBPNil in 2022 (Note 33). The Bank's shareholders will have to approve during the ordinary general assembly expected to be convened in July 14, 2023, to change the status of the new cash contribution to" non-remunerated" given that the regulatory CET1 of Fransabank Group as at December 31, 2022 is below the minimum set by the Central Bank of Lebanon.

27. NON-DISTRIBUTABLE RESERVES

Non distributable reserves consist of the following:

	December 31,	
	2022 LBP'000	2021 LBP'000
Legal reserve (a)	243,132,149	242,606,419
Non-distributable general reserve	660,583,051	632,419,991
Reserve for assets acquired in satisfaction of loans	104,092,359	110,250,779
Property revaluation reserve	24,311,431	24,460,590
	1,032,118,990	**1,009,737,779**

(a) The legal reserve is constituted in conformity with the requirements of the Lebanese Money and Credit Code 165 on the basis of 10% of net profit. This reserve is not available for distribution.
(b) Non-distributable general reserve is constituted in accordance with banking regulations.

28. INVESTMENT REVALUATION 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, 2022 LBP'000	December 31, 2021 LBP'000
Cumulative unrealized gain (Note 10)	11,377,942	13,580,009
Deferred tax, net (Note 10 & 22)	(529,328)	(1,620,668)
	10,848,614	**11,959,341**
Less: Share of non-controlling interests (Notes 29)	**243,996**	**66,440**
Share of Equity holders of the Bank	**10,604,618**	**11,892,901**

29. NON-CONTROLLING INTERESTS

	December 31, 2022 LBP'000	December 31, 2021 LBP'000
Capital	124,942,131	124,643,915
Change in fair value of investment securities through other comprehensive income (Note 28)	243,996	66,440
Preferred shares	152,786,633	152,786,633
Shareholders' cash contribution to capital	32,212	32,212
Reserves and retained earnings	9,482,149	15,198,866
(Loss)/Profit for the year	(1,071,122)	1,334,632
	286,415,999	**294,062,698**

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

	December 31, 2022	
	BLC Bank and its direct Subsidiaries LBP'000	Fransabank El-Djazair SPA LBP'000
NCI percentage	2.08%	47.25%
Cash and banks	3,030,334,417	144,669,531
Loans and advances	564,687,329	856,268,105
Investment securities	1,421,117,969	1,310,683
Foreclosed assets	61,534,981	-
Other assets	137,407,862	137,430,212
Deposits from banks	(102,325,165)	(767,316)
Deposits from customers	(4,253,465,754)	(866,868,192)
Borrowings and subordinated bonds	(182,977,458)	-
Other liabilities and provisions	(129,840,249)	(46,590,762)
Net assets	**546,473,932**	**225,452,261**
NCI share	**11,366,658**	**106,526,193**
Net financial revenues	170,674,046	36,972,290
Net allowance for expected credit losses	(111,511,067)	(14,822,204)
Operating expenses	(156,614,352)	(21,768,210)
Income tax expense	(41,259)	(336,727)
(Loss)/ profit for the year	**(97,492,632)**	**45,149**
Other comprehensive income (OCI)	94,294	-
Total comprehensive (loss)/ income for the year	**(97,398,338)**	**45,149**
(Loss)/ Profit allocated to NCI	**(2,025,885)**	**21,333**
OCI allocated to NCI	**1,961**	**-**

	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	(14,891,308)	46,958,930
Net allowance for expected credit losses	(59,128,800)	(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	**(4,102,781)**	**5,889,258**
OCI allocated to NCI	**109,099**	**-**

30. RESULTS OF THE YEAR

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

	2022		
	Owners of the Bank LBP'000	Non-Controlling Interests LBP'000	Total LBP'000
Income of the Bank	(540,902,611)	-	(540,902,611)
Income of subsidiaries:			
Fransa Invest Bank S.A. L	(78,168)	-	(78,168)
Fransabank France S. A	5,097,541	1,337,936	6,435,477
Lebanese Leasing Company S.A.L	(1,834,430)	-	(1,834,430)
Switch and Electronics Services S.A.L	138,708	-	138,708
Sogefon S.A.L	(149,666)	-	(149,666)
Fransabank El-Djazair S.P. A	23,816	21,333	45,149
Fransabank Insurance Services S.A. L	1,455,993	-	1,455,993
BLC Bank S.A.L and Subsidiaries	(95,470,107)	(2,022,525)	(97,492,632)
Express S.A.R.L	(35,508)	-	(35,508)
F&B Invest Holding	(62,662)	-	(62,662)
Al Maktab	(57,410)	-	(57,410)
Deferred tax on Profit from associates and subsidiaries	(681,367)	(407,866)	(1,089,233)
	(632,555,871)	**(1,071,122)**	**(633,626,993)**

	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
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)**

31. DIVIDENDS PAID

The following dividends were declared and paid by the Group:

	December 31, 2022 LBP'000	December 31, 2021 LBP'000
Dividends paid by subsidiaries to non-controlling interests	5,494,325	9,902,693

32. INTEREST INCOME

	2022		
	Interest Income LBP'000	Tax on Interest LBP'000	Net Interest Income LBP'000
Interest income from:			
Deposits with central banks	806,900,162	(85,200,942)	721,699,220
Deposits with banks and financial institutions	5,845,650	(56,083)	5,789,567
Investment securities	245,027,765	(23,142,906)	221,884,859
Loans to banks	2,979,817	(13,455)	2,966,362
Loans and advances to customers	196,513,403	-	196,513,403
Loans and advances to related parties	91,041	-	91,041
Impaired loans and advances to customers	47,471,378	-	47,471,378
	1,304,829,216	**(108,413,386)**	**1,196,415,830**

	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**

Interest income on investments at fair value through profit or loss is reflected under "net gain/(loss) on financial assets at fair value through profit or loss" (Note 36).

33. INTEREST EXPENSE

	2022 LBP'000	2021 LBP'000
Interest expense on:		
Deposits and borrowings from banks and financial institutions	2,266,908	2,045,044
Customers' deposits at amortized cost	108,218,003	248,957,361
Related parties' deposits at amortized cost	18,444,926	26,138,630
Other borrowings	20,036,246	22,389,025
Borrowings from a related party	300,333	1,188,045
Finance cost (Note 16)	2,713,060	3,695,252
Shareholders' cash contribution to capital (Note 26)	1,283,541	11,185,657
	153,263,017	**315,599,014**

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

34. FEE AND COMMISSION INCOME

	2022 LBP'000	2021 LBP'000
Commission on documentary credits	1,902,864	2,595,554
Commission on letters of guarantee	10,757,148	13,362,312
Service fees on costumers' transactions	191,532,723	93,033,218
Commission on transactions with banks	18,499,306	12,553,283
Asset management fees	440,760	428,383
Other commission	3,093,976	3,309,779
	226,226,777	**125,282,529**

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

35. FEE AND COMMISSION EXPENSE

	2022 LBP'000	2021 LBP'000
Commission on transactions with banks and financial institutions	27,349,619	7,820,604
Sundry	9,569,764	7,291,168
	36,919,383	**15,111,772**

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

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

	2022		
	Income / (Loss) LBP'000	Withholding Tax LBP'000	Net loss LBP'000
Interest income	12,876,983	(1,368,238)	11,508,745
Dividends income	93,552	-	93,552
Net unrealized loss	(17,059,895)	-	(17,059,895)
	(4,089,360)	**(1,368,238)**	**(5,457,598)**

	2021		
	Income / (Loss) LBP'000	Withholding Tax LBP'000	Net loss 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)**

37. OTHER OPERATING LOSS (NET)

	2022 LBP'000	2021 LBP'000
Dividend income on investments at FVTOCI	181,187	143,712
Share of income in associates (Note 13)	1,908,734	5,114,426
Allowance for committed loss in an associate (Note 13)	(38,635,570)	-
Foreign exchange (loss)/gain (a)	(847,519,384)	(150,022,502)
Gain on disposal of assets acquired in satisfaction of loans (Note 14)	15,206,990	29,076,661
Gain on disposal of property and equipment	453,440	198,878
Gain/(Loss) on sale of subsidiary (Note 8)	392,524	(12,548,280)
Other operating income – Net	28,889,613	1,856,292
	(839,122,466)	**(126,180,813)**

During 2021, and in order to build up offshore liquidity, the Group introduced the "multiplier factor" which entails inciting depositors of foreign currency international liquidity, cash deposited or incoming border transfers to convert these funds into local foreign currency deposits after the application of multiplier factor. Accordingly, the Bank recognized losses from these transactions which amounted to LBP23billion in 2021 (LBPNil in 2022).

38. DEPRECIATION AND AMORTIZATION

	2022 LBP'000	2021 LBP'000
Depreciation of fixed assets (Note 15.1)	24,207,600	25,752,566
Amortization of intangible assets (Note 15.2)	4,002,845	4,454,597
Depreciation of right-of-use assets (Note 16)	4,242,782	4,683,253
	32,453,227	**34,890,416**

39. 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.

40. BALANCES / TRANSACTIONS WITH RELATED PARTIES

In the ordinary course of its activities, the Group conducts 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 37.

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 LBP15.8billion (2021: LBP13.4billion).

41. CASH AND CASH EQUIVALENTS

	2022 LBP'000	2021 LBP'000
Cash on hand	736,375,572	259,674,856
Current accounts with central banks (Less compulsory reserve)	3,683,844,881	2,573,573,212
Term placements with central banks	1,126,102,500	1,054,350,500
Checks in course of collection	13,503	667
Current accounts with banks and financial institutions	416,138,871	673,029,882
Term placements with banks and financial institutions	246,053,087	23,283,328
	6,208,528,414	**4,583,912,445**

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

42. COLLATERAL GIVEN

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

	December 31, 2022			
	Redemption value of Pledged Assets LBP'000	Corresponding Facilities: 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 9, 2029
Lebanese Treasury Bills at amortized cost	356,730	Borrowings	361,063,683	2-5 years
Certificates of deposit at amortized cost	2,149,375	Borrowings	5,904,237	Over 5 years
	10,449,894		**374,305,089**	

	December 31, 2021			
	Redemption value of Pledged Assets LBP'000	Corresponding Facilities: 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 9, 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**	

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, 2022				
	Lebanon LBP'000	France LBP'000	Algeria LBP'000	Cyprus LBP'000	Total LBP'000
ASSETS					
Cash and Banks	12,644,577,892	505,127,407	141,150,494	-	13,290,855,793
Loans to banks	2,745,340	8,205,194	2,215,950	-	13,166,484
Loans and advances to customers	2,128,910,813	675,259,003	850,314,913	-	3,654,484,729
Investment securities	3,775,410,910	309,920	1,257,536	-	3,776,978,366
Customers' liability under acceptances	-	13,888,534	25,935,715	-	39,824,249
Investments in associates	20,535,899	-	-	-	20,535,899
Goodwill	48,182,949	-	-	-	48,182,949
Tangible and intangible assets	470,291,345	6,834,230	142,797,179	-	619,922,754
Other assets	282,256,340	4,603,850	8,422,068	-	295,282,258
Total Assets	**19,372,911,488**	**1,214,228,138**	**1,172,093,855**	**-**	**21,759,233,481**
LIABILITIES					
Deposits and borrowings from banks	195,574,785	3,367,494	691,529	-	199,633,808
Customers' accounts at amortized cost	16,186,428,982	1,063,974,676	866,868,192	-	18,117,271,850
Customers' acceptance liability	-	13,888,534	25,935,715	-	39,824,249
Other borrowings	817,752,864	-	-	-	817,752,864
Other liabilities and provisions	520,731,774	17,652,716	55,635,372	-	594,019,862
Total Liabilities	**17,720,488,405**	**1,098,883,420**	**949,130,808**	**-**	**19,768,502,633**

	December 31, 2021				
	Lebanon LBP'000	France LBP'000	Algeria LBP'000	Cyprus LBP'000	Total 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	17,018,507,421	924,105,327	656,197,720	-	18,598,810,468
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	**18,534,274,680**	**990,734,137**	**712,706,035**	**776,065**	**20,238,490,917**

43.2 Distribution of statement of profit or loss by geographical location

	Year Ended December 31, 2022				
	Lebanon LBP'000	France LBP'000	Algeria LBP'000	Belarus LBP'000	Total LBP'000
Net interest income	992,277,549	20,752,238	30,123,026	-	1,043,152,813
Net fee and commission income	181,313,510	2,717,302	5,276,582	-	189,307,394
Investments at fair value through profit or loss	(5,457,598)	-	-	-	(5,457,598)
Other operating income	(834,890,581)	(4,656,680)	423,636	-	(839,123,625)
Impairment of loans and advances	(337,734,700)	(3,164,352)	(14,822,204)	-	(355,721,256)
Other expense	(628,416,756)	(11,512,290)	(21,135,998)	-	(661,065,044)
Income tax expense	(375,733)	(2,917,984)	(336,727)	-	(3,630,444)
Deferred tax on investees undistributed profits	(438,913)	(643,548)	(6,772)	-	(1,089,233)
	(633,723,222)	**574,686**	**(478,457)**	**-**	**(633,626,993)**

	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)**

44. 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 Group 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.
- Operational risk: the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.
- Other risks faced by the group include concentration risk, reputation risk, legal risk, political risk and business/strategic risk.

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.

44.1 Credit Risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the group. 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 resolves 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 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 and 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:

a. "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.

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

c. "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.

d. "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.

e. "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,

f. "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;
- 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.

a) Maximum exposure to credit risk

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

	December 31, 2022		
	Carrying Amount LBP'000	ECL LBP'000	Net Carrying Amount LBP'000
Cash and deposits with central banks	11,980,944,331	(145,535,392)	11,835,408,939
Deposits with banks and financial institutions	723,145,017	(4,073,735)	719,071,282
Loans to banks	56,154,809	(42,988,325)	13,166,484
Loans and advances to customers	4,281,176,893	(626,692,164)	3,654,484,729
Investment securities	4,763,605,566	(1,142,527,626)	3,621,077,940
Customers' liability under acceptances	39,824,249	-	39,824,249
Other assets	150,077,873	(1,199,477)	148,878,396
	21,994,928,738	**(1,963,016,719)**	**20,031,912,019**
Off balance sheet commitments	**238,035,939**	**(15,269,388)**	**222,766,551**

	December 31, 2021		
	Carrying Amount LBP'000	ECL LBP'000	Net Carrying Amount 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**

The movement of allowance for expected credit losses during 2022 and 2021 is summarized as follows:

	Openning Balance January 1, 2022 LBP'000	Net 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, 2022 LBP'000
Cash and Central Banks	65,520,011	80,065,205	-	-	(49,824)	-	-	145,535,392
Deposits with banks and financial institutions and loans to								-
banks	47,332,534	(349,922)	-	-	(45,552)	-	125,000	47,062,060
Loans and advances to customers	722,609,063	(76,320,458)	(10,790,654)	-	(998,175)	(15,181,624)	7,374,012	626,692,164
Investment securities	797,468,527	332,211,432	-	-	(2)	-	12,847,669	1,142,527,626
Financial Guarantees	13,327,849	1,999,863	-	-	(58,324)	-	-	15,269,388
Other assets	10,837,427	3,209,719	-	-	-	-	(12,847,669)	1,199,477
	1,657,095,411	340,815,839	(10,790,654)	-	(1,151,877)	(15,181,624)	7,499,012	1,978,286,107

	Openning Balance January 1, 2021 LBP'000	Net 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

b) Exposures subject to ECL

	December 31, 2022			
	Stage 1 LBP'000	Stage 2 LBP'000	Stage 3 LBP'000	Total LBP'000
Gross exposures				
Deposits with central banks	11,980,944,331	-	-	11,980,944,331
Deposits with banks and financial institutions	723,145,017	-	-	723,145,017
Loans to banks	9,817,519	-	46,337,290	56,154,809
Loans and advances to customers	2,221,165,006	785,386,010	1,274,625,877	4,281,176,893
Investment securities	1,966,985,701	9,148,222	2,787,471,643	4,763,605,566
Customers' liability under acceptances	39,824,249	-	-	39,824,249
Other Assets	150,077,873	-	-	150,077,873
	17,091,959,696	794,534,232	4,108,434,810	21,994,928,738
Off balance sheet commitments	230,620,110	7,415,829	-	238,035,939
Expected credit losses				
Deposits with central banks	(145,535,392)	-	-	(145,535,392)
Deposits with banks and financial institutions	(4,073,735)	-	-	(4,073,735)
Loans to banks	(30,240)	-	(42,958,085)	(42,988,325)
Loans and advances to customers	(58,997,669)	(44,354,837)	(523,339,658)	(626,692,164)
Investment securities	(7,321,122)	(9,148,222)	(1,126,058,282)	(1,142,527,626)
Other Assets	(1,199,477)	-	-	(1,199,477)
	(217,157,635)	(53,503,059)	(1,692,356,025)	(1,963,016,719)
Off balance sheet commitments	(13,271,918)	(1,997,470)	-	(15,269,388)
Net exposures				
Deposits with central banks	11,835,408,939	-	-	11,835,408,939
Deposits with banks and financial institutions	719,071,282	-	-	719,071,282
Loans to banks	9,787,279	-	3,379,205	13,166,484
Loans and advances to customers	2,162,167,337	741,031,173	751,286,219	3,654,484,729
Investment securities	1,959,664,579	-	1,661,413,361	3,621,077,940
Customers' liability under acceptances	39,824,249	-	-	39,824,249
Other Assets	148,878,396	-	-	148,878,396
	16,874,802,061	**741,031,173**	**2,416,078,785**	**20,031,912,019**
Off balance sheet commitments	**217,348,192**	**5,418,359**	**-**	**222,766,551**

	December 31, 2021			
	Stage 1 LBP'000	Stage 2 LBP'000	Stage 3 LBP'000	Total 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)
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)
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**

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.

c) Financial assets with credit risk exposure and related concentrations

Exposure to credit risk and concentration by counterparty:

(c.1) - Concentration of major financial assets by geographical location:

	December 31, 2022						
	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	12,311,234,409	2,902,328	-	124,664,269	-	132,983,505	12,571,784,511
Deposits with banks and financial institutions	3,168,298	1,154,339	115,846,984	572,462,617	18,253,544	8,185,500	719,071,282
Loans to banks and financial institutions	2,068,533	2,892,757	-	8,205,194	-	-	13,166,484
Loans and advances to customers	2,050,025,287	45,317,295	3,061,699	678,328,936	19,445,078	858,306,434	3,654,484,729
Investment securities	3,690,548,048	49,010,345	35,800,914	361,524	-	1,257,535	3,776,978,366
	18,057,044,575	**101,277,064**	**154,709,597**	**1,384,022,540**	**37,698,622**	**1,000,732,974**	**20,735,485,372**
Financial Liabilities							
Deposits and borrowings from banks	195,395,204	133	-	3,546,942	-	691,529	199,633,808
Customers' accounts at amortized cost	15,500,499,903	447,892,989	75,807,100	1,182,306,459	-	910,765,399	18,117,271,850
Other borrowings	817,752,864	-	-	-	-	-	817,752,864
	16,513,647,971	**447,893,122**	**75,807,100**	**1,185,853,401**	**-**	**911,456,928**	**19,134,658,522**

	December 31, 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**

Other specific control and mitigation measures are outlined below:

i) 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.

ii) 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, as shown in the tables on the following pages. 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.

44.2 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 Group. In Lebanon and since October 2019 events, the Group monitors on a daily basis the ratio of available international foreign currency liquidity to international commitments over various time horizons. The Central Bank of Lebanon, through its Basic circular 154 dated 27 August 2020, issued various requirements aiming at restoring the normal banking operations in Lebanon to their pre-October 2019 levels. Among these requirements, Lebanese banks were requested to maintain total current account balance with foreign correspondent banks (international liquidity that is free of any obligation) in excess of 3% of the group'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 group reconstitutes this percentage by December 31, 2022. The Group 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.

	December 31, 2022				
	Up to 3 Months LBP'000	3 Months to 1 year LBP'000	1 to 5 years LBP'000	Over 5 years LBP'000	Total LBP'000
FINANCIAL LIABILITIES					
Deposits from banks and financial institutions	195,537,808	4,096,000	-	-	199,633,808
Customers' deposits at amortized cost	15,915,342,850	2,094,701,000	106,994,000	234,000	18,117,271,850
Other borrowings	106,068,864	235,342,000	231,236,000	245,106,000	817,752,864
	16,216,949,522	**2,334,139,000**	**338,230,000**	**245,340,000**	**19,134,658,522**

	December 31, 2021				
	Up to 3 Months LBP'000	3 Months to 1 year LBP'000	1 to 5 years LBP'000	Over 5 years LBP'000	Total 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	156,572,926	53,465,000	253,672,000	507,528,000	971,237,926
	16,621,417,227	**2,053,244,000**	**537,059,000**	**507,601,000**	**19,719,321,227**

44.3 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.

Exposure to 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, 2022				
	LBP LBP'000	USD LBP'000	EUR LBP'000	Other LBP'000	Total LBP'000
ASSETS					
Cash and Central Banks	3,407,125,451	8,533,422,179	493,568,272	137,668,609	12,571,784,511
Deposits with banks and financial institutions	1,488,798	517,374,554	133,411,632	66,796,298	719,071,282
Loans to banks	1,582,084	11,584,400	-	-	13,166,484
Investment securities at fair value through profit or loss	3,582,167	72,978,738	79,167,568	171,955	155,900,428
Investment securities at amortized cost	2,122,804,676	1,267,341,332	-	1,085,581	3,391,231,589
Investment securities at fair value through OCI	109,958,594	119,788,718	99,037	-	229,846,349
Loans and advances to customers	1,065,828,717	1,337,678,682	380,647,611	870,329,719	3,654,484,729
Customers' liability under acceptances	-	-	13,888,534	25,935,715	39,824,249
Investments in associates	12,200,018	8,335,881	-	-	20,535,899
Assets acquired in satisfaction of loans	28,934,856	120,369,038	-	-	149,303,894
Property and equipment	297,409,809	(1,049,974)	73,217	132,315,394	428,748,446
Intangible assets	11,054,055	-	1,108,865	928,916	13,091,836
Right in use assets	5,157,327	23,621,251	-	-	28,778,578
Good will	48,182,949	-	-	-	48,182,949
Other assets	230,983,579	55,280,276	1,445,254	7,573,149	295,282,258
Total Assets	7,346,293,080	12,066,725,075	1,103,409,990	1,242,805,336	21,759,233,481
LIABILITIES					
Deposits from banks and financial institutions	115,739,104	47,286,757	35,369,300	1,238,647	199,633,808
Customers' deposits at amortized cost	4,761,129,103	11,371,259,410	1,054,849,571	930,033,766	18,117,271,850
Liability under acceptances	-	-	13,888,534	25,935,715	39,824,249
Borrowings	539,111,339	278,641,525	-	-	817,752,864
Lease liabilities	5,801,039	27,459,060	-	-	33,260,099
Other liabilities	171,592,969	35,662,597	12,865,347	31,395,460	251,516,373
Provisions	244,234,339	47,730,634	6,898,443	10,379,974	309,243,390
Total Liabilities	5,837,607,893	11,808,039,983	1,123,871,195	998,983,562	19,768,502,633
Net exchange position	**1,508,685,187**	**258,685,092**	**(20,461,205)**	**243,821,774**	**1,990,730,848**

	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 OCI	111,298,650	130,741,607	105,069	-	242,145,326
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	72,270,314	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**	**236,356,945**	**2,469,429,545**

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, 2022			
	LBP	Onshore Foreign Currencies	Offshore Foreign Currencies	Total
	LBP'000	LBP'000	LBP'000	LBP'000
Cash and deposits with central banks	3,407,125,451	8,814,446,301	350,212,759	12,571,784,511
Deposits with banks and financial institutions	1,488,798	1,678,090	715,904,394	719,071,282
Loans to banks	1,582,084	-	11,584,400	13,166,484
Investment securities	2,236,345,437	1,454,141,343	86,491,586	3,776,978,366
Loans and advances to customers	1,065,828,717	1,007,581,675	1,581,074,337	3,654,484,729
Customers' liability under acceptances	-	-	39,824,249	39,824,249
Investments in associates	12,200,018	-	8,335,881	20,535,899
Assets acquired in satisfaction of loans	28,934,856	-	120,369,038	149,303,894
Property and equipment	297,409,809	(1,049,974)	132,388,611	428,748,446
Intangible assets	11,054,055	-	2,037,781	13,091,836
Right in use assets	5,157,327	-	23,621,251	28,778,578
Good will	48,182,949	-	-	48,182,949
Other assets	230,983,579	-	64,298,679	295,282,258
	7,346,293,080	**11,276,797,435**	**3,136,142,966**	**21,759,233,481**
Deposits from banks and financial institutions	115,739,104	6,722,652	77,172,052	199,633,808
Customers' deposits at amortized cost	4,761,129,103	9,567,819,840	3,788,322,907	18,117,271,850
Liability under acceptances	-	-	39,824,249	39,824,249
Borrowings	539,111,339	100,227,924	178,413,601	817,752,864
Lease liabilities	5,801,039	6,589,360	20,869,700	33,260,099
Other liabilities	171,592,969	21,434,235	58,489,169	251,516,373
Provisions	244,234,339	53,928,080	11,080,971	309,243,390
	5,837,607,893	**9,756,722,091**	**4,174,172,649**	**19,768,502,633**

	December 31, 2021			
	LBP LBP'000	Onshore Foreign Currencies LBP'000	Offshore Foreign Currencies LBP'000	Total LBP'000
Cash and deposits with 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**

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, 2022				
	Not subject to Interest LBP'000	Less than 1 Year LBP'000	1 to 5 years LBP'000	Over 5 years LBP'000	Total LBP'000
FINANCIAL ASSETS					
Cash and central banks	5,479,210,511	1,637,469,000	1,488,908,000	3,966,197,000	12,571,784,511
Deposits with banks and financial institutions	642,142,282	66,535,000	10,394,000	-	719,071,282
Loans to banks	11,596,484	1,570,000	-	-	13,166,484
Investment securities"	1,189,274,366	383,209,000	984,840,000	1,219,655,000	3,776,978,366
Loans and advances to customers	763,621,729	1,968,938,000	567,017,000	354,908,000	3,654,484,729
	8,085,845,372	**4,057,721,000**	**3,051,159,000**	**5,540,760,000**	**20,735,485,372**
FINANCIAL LIABILITIES					
Deposits and borrowings from banks	43,260,808	156,373,000	-	-	199,633,808
Customers' accounts at amortized cost	9,050,659,850	8,959,568,000	106,816,000	228,000	18,117,271,850
Other borrowings	20,539,864	565,722,000	231,491,000	-	817,752,864
	9,114,460,522	**9,681,663,000**	**338,307,000**	**228,000**	**19,134,658,522**

	December 31, 2021				
	Not subject to Interest LBP'000	Less than 1 Year LBP'000	1 to 5 years LBP'000	Over 5 years LBP'000	Total 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**

44.4 Operational Risks

Operational risk is defined as the risk of loss or damage resulting from inadequate or failed internal processes, people, systems or external events. The Basel definition of operational risk includes legal risk, and excludes reputational and strategic risks. Still, the failure of operational risk controls may result in reputational damage, business disruptions, business loss, or non-compliance with laws and regulations that can lead to significant financial losses. Therefore, reputational and strategic risks are indirectly mitigated once the operational risks acting as their key drivers are well managed.

The operational risk management framework is implemented by an independent Operational Risk Management department that operates in coordination with other support functions such as: Corporate Information Security and Compliance. The Internal Audit provides an independent assurance on the adequacy and effectiveness of this framework through periodic reviews.

Operational risks are managed across the Group based on a set of principles and standards detailed in the Board- approved operational risk management framework. These principles and standards include at a minimum: segregation of duties, four-eye principle, and independency of employees performing controls, reconciliations, and awareness. Controls are also embedded within systems and formalized in policies and procedures.

Incidents are captured and analyzed to identify their root causes. Corrective and preventive measures are recommended to prevent future reoccurrences. Risk and Control Assessments (RCAs) are conducted on an ongoing basis to identify risks and control vulnerabilities associated to existing or new operations, products, processes, activities and systems. Key Risk Indicators are also developed continuously to detect alarming trends.Recommendations to improve the control environment are communicated to concerned parties and escalated to Management as deemed necessary.

Major incidents, RCA findings and operational losses are reported to the Board of Directors and Board Risk Committees periodically as per the governance framework set in the Group Operational Risk policy.

Insurance coverage is used as an additional layer of mitigation and is commensurate with the Group business activities, in terms of volume and nature.

44.5 Other risks

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

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

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

45. 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 Group'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 Group's financial statements.

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

During 2022, the Group's records and tax returns for the years 2016 and 2017 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 Group'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 Group'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.

46. 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.

Central Bank of Lebanon's Intermediate circular 567, issued on 26 August 2020, introduced several key changes in the calculation of regulatory capital adequacy ratios. These changes include:

- Raising the regulatory expected credit loss level for Lebanese Government securities in foreign currency and Lebanese government-related exposures in same currency from 9.45% to 45% and later on to 75% in 2023. Regulatory ECL for other exposures remain unchanged.

Type of financial instrument	***2022***	*2021*
Exposures to Central Bank of Lebanon in foreign currency	**1.89 %**	1.89 %
Exposures to Central Bank of Lebanon in Lebanese Lira	**0 %**	0 %
Lebanese government securities in foreign currency	**75 %**	45 %
Lebanese government securities in Lebanese Lira	**0 %**	0 %

- Requesting banks to increase their own funds (capital) by an amount equivalent to 20% of their common equity tier one capital as of 31 December 2018, through issuing new foreign currency capital instruments, as well as other approaches that meet the criteria for inclusion as regulatory capital. The deadline for raising capital was initially set at 31 December 2020 but was later extended for the banking sector to 28 February 2021.
  As disclosed in note 1, the Group already submitted measures to the regulators for strengthening its standalone equity by 20% and subsequent to the balance sheet date fulfilled this regulatory requirement.

- Exceptionally during 2020 and 2021, allowing banks to drawn down the 2.5% capital conservation buffer oncondition of rebuilding it progressively starting 2022 by 0.75% each year, to reach the minimum required level of 2.5% by the end of 2024.

- Prohibiting Lebanese banks from distributing dividends on common shares for the financial years 2019, 2020 and 2021 and 2022, as well as prohibiting banks from distributing dividends if capital adequacy ratios drop below 7% for common equity tier 1, 10% for tier 1 and 12% for total capital (compared to the regulatory minimum limits of 7%, 8.5% and 10.5% respectively, including a 2.5% capital conservation buffer).
  Exceptionally for 2020 and 2021, allowing Group to include provisions for expected credit losses on

stage 1 and 2 exposures, excluding those relating to Lebanese Sovereign and the Central Bank of Lebanon, under regulatory Common Equity Tier 1 (previously only stage 1 allowances were included in Tier 2 capital, subjectto a 1.25% cap relative to Credit Risk Weighted Assets). Such provisions included under CET 1 should be amortized by 25% yearly starting end of year 2022.

- In October 2020, BCC issued a memo 15/2020 requesting from Banks to develop a roadmap to ensure adherence to capital ratios and liquidity requirements, covering the years from 2020 to 2024. As per the memo, the below minimum capital adequacy ratios are applied:

Ratio (%)	**2020**	**2021**	**2022**	**2023**	**2024**
Minimum Capital Ratio (including the Capital Conservation Buffer)					
Common Equity Tier 1 / risk-weighted assets	4.50%	4.50%	5.25%	6.00%	7.00%
Net Tier 1 / risk-weighted assets	6.00%	6.00%	6.75%	7.50%	8.50%
Total capital / risk-weighted assets	8.00%	8.00%	8.75%	9.50%	10.50%
Provisions added to Capital equity Tier 1					
Provisions taken on Stage 1 and 2 assets and commitments except provisions taken against Lebanese Sovereign & Central Bank exposures, to be added to Common Equity Tier 1	100.00%	100.00%	75.00%	50.00%	25.00%

In 2022, BCC issued an intermediate circular number 595 whereby it has lowered the risk-weight to be applied on the Lebanese Corporate Resident Portfolio from 150% to 100%. The impact is minor on the Group's capital adequacy ratio.

The Group's capital adequacy ratio was as follows:

	December 31,	
	2022	**2021**
	LBP Million	**LBP Million**
Common Equity Tier I	1,274,436	1,670,899
Additional Tier I capital	622,724	741,250
Tier II capital	55,981	51,557
Total regulatory capital	**1,953,141**	**2,463,706**
Credit risk	16,384,794	18,343,632
Market risk	1,022,311	909,174
Operational risk	1,575,025	1,672,344
Risk-weighted assets and risk-weighted off-balance sheet items	**18,982,130**	**20,925,150**
Common Equity Tier I ratio	6.71%	7.99%
Tier I capital ratio	9.99%	11.53%
Risk based capital ratio - Tier I and Tier II capital	10.29%	11.77%

The Group's capital adequacy ratio as at December 31, 2022 and 2021, 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.

47. 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*.

48. SUBSEQUENT EVENTS

On 12 May 2023, further to the prosecution of various banks, the Association of Banks in Lebanon issued a statement warning about the gravity of such prosecution and its adverse impact on the relationship of Lebanese banks with their respective correspondent banks, notably that the Prosecutor has intentionally qualified the refusal of such relevant banks to provide data requested by the Prosecutor, in the course of the legal proceedings led by the latter, as money laundering, while (i) such refusal is in line with applicable laws and regulations and the banks' obligations, mainly the banking secrecy obligation, and (ii) should the refusal be proven as wrongfully committed by the concerned banks, such refusal could then be only legally qualified as "withholding information".

As mentioned in Note 1, in February 2023, the Central Bank of Lebanon changed the official published exchange rate from LBP1,507.5 to LBP15,000 to the US Dollars. The Group applied the new rate of LBP15,000 in its subsequent financial information reporting, with the first period being the reporting as of 31 March 2023.

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Group's Board of Directors in its meeting held on May 5, 2023.