

FRANSABANK SAL

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

FRANSABANK S.A.L.
CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2024

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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, 2024, 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 material 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, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (‘IFRS Accounting Standards’).

Basis for Adverse Opinion

- 1- As disclosed in Notes 1.3.2 and 3 to the accompanying consolidated financial statements, the Group did not apply the requirements of IAS 29 – Financial Reporting in Hyperinflationary Economies (“IAS 29”) in the accompanying consolidated financial statements for the years ended 31 December 2024, nor did the Group consider its effects on forecasts and discount rates used in accounting estimates.

Had the Group applied the requirements of IAS 29, and considered its effects on accounting estimates, many elements and disclosures in the accompanying consolidated financial statements for the year ended 31 December 2024, including the comparative financial information for the year ended 31 December 2023, would have been materially different. The effects on the consolidated financial statements from this departure have not been determined. Our opinion for the year ended 31 December 2023 was also modified for the same reasons.

- 2- As disclosed in note 1.3.1 to the accompanying consolidated financial statements, the Group used in 2024 and 2023 the exchange rates published by the Central Bank of Lebanon for the translation of its transactions and monetary assets and liabilities denominated in foreign currencies to the Group’s functional currency (i.e. Lebanese Pound).

Starting January 2024, the exchange rate published by the Central Bank of Lebanon was set at LBP 89,500 to the US Dollar, aligning the rate with the prevailing market rate. The Group used this rate to translate the transactions and monetary items denominated in foreign currency, including foreign currency accounts subject to de-facto capital controls, into the functional currency.

Applying this rate to the foreign currency accounts subject to de-facto capital controls, constituted a departure from IAS 21 “The effects of Changes in Foreign Exchange rates”, as this exchange rate deviates significantly from the rate by which, the future cash flows from these accounts, could have been settled or collected had these cash flows occurred at the measurement date.

Had the Group applied the requirements of IAS 21 many of the elements of the accompanying consolidated 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- As disclosed in Notes 13 and 14 to the consolidated financial statements, and in accordance with Law No. 330 issued on 4 December 2024, the Group has restated during 2024 the carrying amounts of its owned buildings, assets acquired in satisfaction of loans, fixtures and equipment and intangible assets either based on evaluation performed by an external independent appraiser or by restating the carrying value of these assets for the effect of changes in foreign exchange rates. These revaluations were applied retrospectively to the opening balances of 2023 resulting in a revaluation surplus of LBP29,201billion which constitutes a departure from IFRS Accounting Standards.

Had the Group not adjusted the carrying values of these assets for the effect of changes in foreign exchange rates and valuation methodologies, the carrying amounts of these assets would have been reduced by the amount of the revaluation surplus recognized in other comprehensive income.

- 4- 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 LBP577,540billion and LBP69,249billion respectively (2023: LBP97,575billion and LBP15,665billion respectively), include gross balances held with the Central Bank of Lebanon and Lebanese government debt securities at amortized cost of LBP648,457billion (2023: LBP116,971billion). Additionally, loans and advances to customers, loans to banks and other assets, which are carried in the consolidated statement of financial position at LBP146,181billion, LBP201billion and LBP2,345billion respectively (2023:LBP25,990billion, LBP34billion and LBP1,003billion respectively), include balances of LBP20,204billion, LBP172billion and LBP955billion respectively (2023: LBP6,542billion, LBP13billion, and LBP856billion respectively) which are concentrated in Lebanon.

The stated allowance for expected credit losses on these balances does not take into account the significant deterioration in credit quality which has occurred subsequent to initial recognition as a result of the continuing economic crisis in Lebanon and the government default on Eurobonds, which constitutes a departure from IFRSs. We were unable to determine the adjustments necessary to these amounts. Our opinion in the prior year was also modified in respect of this matter.

- 5- Provisions which are carried in the consolidated statement of financial position at LBP3,699billion (2023: LBP1,293billion), include a provision for contingencies of LBP2,099billion (2023: LBP767billion) and a provision for staff end of service indemnities indemnity of LBP641billion (2023: LBP309billion), and a provision for expected credit losses on financial guarantees and other commitments of LBP438billion (2023: LBP155billion). The assumptions used in calculating and estimating these provisions are subject to high uncertainties due to the prevailing financial and economic situation in Lebanon as mentioned in note 1 to the financial statements which constitute a departure from IFRSs.

Consequently, we were unable to determine whether any adjustments to these amounts were necessary. Our opinion for the year ended 31 December 2023 was also modified for the same reasons.

- 6- Investment securities, which are carried in the consolidated statement of financial position, net of expected credit loss, at LBP69,249billion (2023: LBP15,665billion), include investment securities measured at fair value of LBP20,711billion (2023: LBP2,450billion) which are issued by entities mainly domiciled in the Republic of Lebanon and term placements with the Central Bank of Lebanon. Management has stated the aforementioned investment securities at fair value by using inputs into the determination of fair value which do not accurately reflect the economic situation 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.
- 7- Investments in associates are carried in the consolidated statement of financial position at LBP420billion (2023: LBP76billion). These investments exhibited indicators of impairment at the reporting date. Management did not determine if the recoverable amounts of these investments in associates exceeded their carrying amount, which constitutes a departure from IFRSs. We were unable to determine the adjustments necessary to this amount. Our opinion in the prior year was also modified in respect of this matter.
- 8- 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.
- 9- We did not receive, up to the date of this report, sufficient direct confirmation of balances related to loans and advances to customers and deposits from customers as at 31 December 2024. In addition, we were unable to verify by alternative means the unconfirmed account balances included in the consolidated statement of financial position at year end and accordingly, we were unable to satisfy ourselves as to their accuracy and completeness as of the reporting date.
- 10- As disclosed under notes 1.3.4 and 44 to the accompanying financial statements, the Group is defendant in several lawsuits and is also exposed to increased litigations and claims. We were unable to obtain sufficient appropriate audit evidence as to the absence of any additional claims and their potential impact on the financial statements since we did not receive, up to the date of this report, most of the requested bank lawyers' letters.
- 11- 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.
Our opinion for the year ended 31 December 2023 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.

Emphasis of Matters

We draw attention to note 3 to the accompanying consolidated financial statements, which describes the exchange rates used by the Group for the translation of assets, liabilities and transactions denominated in foreign currencies.

As a result of the change in the official exchange rate USD/LBP from 15,000 to 89,500 effective 31 January 2024, the comparability of accounts and transactions denominated in foreign currencies and converted into LBP is not possible.

Our adverse opinion is not further modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. 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 IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain responsible for our audit opinion.

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

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 11, 2025



DFK Fiduciaire du Moyen Orient



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FRANSABANK S.A.L.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2024

<u>ASSETS</u>	Notes	December 31,		As adjusted January 1, 2023 LBP'000
		2024 LBP'000	As adjusted 2023 LBP'000	
Cash and deposits with central banks	5	577,540,394,689	97,575,461,816	12,502,451,667
Deposits with banks and financial institutions	6	33,844,704,212	6,069,000,820	719,071,282
Loans to banks	7	200,605,223	33,620,987	13,166,484
Loans and advances to customers	8	146,180,629,388	25,990,276,346	3,654,484,729
Investment securities	9	69,249,929,634	15,665,207,632	3,776,978,366
Customers' liability under acceptances	11	1,851,581,312	360,536,940	39,824,249
Investments in associates	12	419,783,252	75,952,040	20,535,899
Assets acquired in satisfaction of loans	13	10,212,979,879	10,332,667,770	5,065,713,078
Property and equipment	14	28,639,488,955	20,260,280,525	9,014,248,717
Intangible assets	14	375,103,162	265,220,768	84,156,004
Right of use assets	15	836,184,908	171,635,995	28,778,578
Goodwill	16	48,182,949	48,182,949	48,182,949
Other assets	17	2,345,356,970	1,002,968,405	295,279,129
Total Assets		871,744,924,533	177,851,012,993	35,262,871,131
 <u>LIABILITIES</u>				
Deposits and borrowings from banks	18	6,757,798,476	1,181,733,000	126,812,129
Deposits from customers and related parties	19	768,457,486,662	135,718,527,027	18,117,271,850
Customers' liability under acceptances	11	1,851,581,312	360,536,940	39,824,249
Other borrowings	20	9,851,125,623	2,235,886,784	817,752,864
Lease liabilities	15	1,177,309,859	269,656,845	33,260,099
Other liabilities	21	13,922,422,820	1,619,474,994	251,397,242
Provisions	22	3,699,302,931	1,293,340,743	309,243,390
Total Liabilities		805,717,027,683	142,679,156,333	19,695,561,823
 <u>EQUITY</u>				
Issued capital - Ordinary shares	23	438,500,000	438,500,000	438,500,000
Issued capital - Preferred shares	24	34,000,000	34,000,000	34,000,000
Share premium - Preferred shares	24	478,550,000	478,550,000	478,550,000
Shareholders' cash contribution to capital	25	498,139,448	307,639,448	302,994,840
Non-distributable reserves	26	1,119,892,039	1,012,568,886	1,007,807,559
Investments fair value reserve	27	8,319,551,009	(68,328,217)	10,604,618
Revaluation surplus	27	29,938,592,432	29,227,303,947	13,691,173,496
Foreign currency translation reserve		16,624,979,447	2,235,014,699	(126,716,678)
Retained earnings		(885,726,850)	(117,153,717)	173,621,372
Treasury shares	28	(8,380,776)	(8,380,776)	(6,802,422)
Profit / (loss) for the year	30	206,538,747	(224,048,943)	(837,415,551)
Equity attributed to the owners of the Bank		56,764,635,496	33,315,665,327	15,166,317,234
Non-controlling interests	29	9,263,261,354	1,856,191,333	400,992,074
Total equity		66,027,896,850	35,171,856,660	15,567,309,308
Total Liabilities and Equity		871,744,924,533	177,851,012,993	35,262,871,131
 <u>FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK</u>				
Documentary and commercial letters of credit	39	12,116,636,301	2,186,304,920	2,186,304,920
Guarantees and standby letters of credit	39	18,200,299,658	2,615,508,558	2,615,508,558
Forward contracts	39	1,941,890,039	594,289,514	594,289,514
Fiduciary accounts		358,297,099	60,855,576	60,855,576

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

FRANSABANK S.A.L.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Notes	Year Ended December 31,	
		2024 LBP'000	As adjusted 2023 LBP'000
Interest income	31	18,455,664,550	4,213,097,628
<u>Less: Tax on interest</u>	31	<u>(396,975,149)</u>	<u>(160,673,230)</u>
Interest income, net of tax		18,058,689,401	4,052,424,398
Interest expense	32	<u>(6,182,021,192)</u>	<u>(1,018,786,867)</u>
Net interest income		11,876,668,209	3,033,637,531
Fee and commission income	33	4,159,551,979	1,162,342,180
Fee and commission expense	34	<u>(586,156,916)</u>	<u>(106,928,388)</u>
Net fee and commission income		3,573,395,063	1,055,413,792
Net gain on financial assets at fair value through profit or loss	35	1,969,985,772	227,105,341
Net gain on financial assets measured at amortized cost		119,840,500	-
Net gain on financial assets at fair value through other comprehensive income		318,012,344	-
Other operating income / (loss) - net	36	<u>4,806,181,032</u>	<u>(313,796,999)</u>
Net financial revenues		22,664,082,920	4,002,359,665
Allowance for credit losses (net)	43	(10,265,220,172)	(603,639,548)
Discounts on loans and advances to customers	8	<u>(272,256,431)</u>	<u>(4,299,865)</u>
Net financial revenues after allowances for expected credit losses and discounts		12,126,606,317	3,394,420,252
Staff costs		(3,870,739,497)	(1,163,352,290)
Administrative expenses		(2,856,835,933)	(1,048,700,717)
Depreciation and amortization	37	(1,468,101,883)	(543,564,086)
Provision for contingencies (net)	22	<u>(1,129,683,757)</u>	<u>(561,471,463)</u>
Revenue before income tax		2,801,245,247	77,331,696
Income tax expense	21	(1,149,917,128)	(141,615,536)
Deferred tax on investees undistributed profits	30	<u>(469,145,191)</u>	<u>(48,893,821)</u>
Net Profit / (loss) for the year		1,182,182,928	(113,177,661)
<u>Attributable to:</u>			
Owners of the Bank	30	206,538,747	(224,048,943)
Non-controlling interests	30	<u>975,644,181</u>	<u>110,871,282</u>
		1,182,182,928	(113,177,661)

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, 2024

	<u>Note</u>	<u>Year Ended December 31,</u>	
		<u>2024</u>	<u>As adjusted</u>
		<u>LBP'000</u>	<u>2023</u>
		<u>LBP'000</u>	<u>LBP'000</u>
Net profit / (loss) for the year		1,182,182,928	(113,177,661)
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of equity securities at FVTOCI	9	9,166,296,613	(80,406,413)
Loss on disposal of equity securities at FVTOCI		-	(13,299,202)
Change in revaluation surplus		711,288,485	15,536,130,451
Deferred tax		(779,148,230)	14,748,638
		<u>9,098,436,868</u>	<u>15,457,173,474</u>
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of debt securities at FVTOCI		730,843	24,142
Currency translation adjustment		14,389,964,748	2,361,731,377
		<u>14,390,695,591</u>	<u>2,361,755,519</u>
Total other comprehensive income		<u>23,489,132,459</u>	<u>17,818,928,993</u>
Total comprehensive income for the year		<u>24,671,315,387</u>	<u>17,705,751,332</u>
Attributable to:			
Equity holders of the Bank		23,695,671,206	17,594,880,045
Non-controlling interests		975,644,181	110,871,287
		<u>24,671,315,387</u>	<u>17,705,751,332</u>

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, 2024

	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	Revaluation surplus	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	LBP'000
Balance as at January 1, 2023-Before adjustment	438,500,000	512,550,000	(6,802,422)	302,994,840	1,032,118,990	10,604,618	(126,716,678)	16,451,022	173,621,372	(632,555,871)	1,720,765,871	286,415,999	2,007,181,870
Revaluation surplus	-	-	-	-	-	-	-	13,650,411,043	-	-	13,650,411,043	114,576,075	13,764,987,118
Adjustments related to revaluation	-	-	-	-	-	-	-	-	-	(204,859,680)	(204,859,680)	-	(204,859,680)
Transfer to revaluation surplus	-	-	-	-	(24,311,431)	-	-	24,311,431	-	-	-	-	-
Balance as at January 1, 2023-After adjustment	438,500,000	512,550,000	(6,802,422)	302,994,840	1,007,807,559	10,604,618	(126,716,678)	13,691,173,496	173,621,372	(837,415,551)	15,166,317,234	400,992,074	15,567,309,308
Total comprehensive loss for the year 2023	-	-	-	-	-	(78,932,835)	2,361,731,377	-	-	(224,048,943)	2,058,749,599	110,871,282	2,169,620,881
Allocation of 2022 losses	-	-	-	-	-	-	-	-	(837,415,551)	837,415,551	-	1,071,122	1,071,122
Transfer to non-distributable reserves	-	-	-	-	4,761,327	-	-	-	(4,761,327)	-	-	-	-
Revaluation surplus	-	-	-	-	-	-	-	15,536,130,451	-	-	15,536,130,451	133,296,972	15,669,427,423
Shareholder's cash contribution to capital (Note 25)	-	-	-	4,644,608	-	-	-	-	-	-	4,644,608	-	4,644,608
Effect of exchange rates changes	-	-	(1,578,354)	-	-	-	-	-	553,427,311	-	551,848,957	1,220,404,574	1,772,253,531
Other movement	-	-	-	-	-	-	-	-	(2,025,522)	-	(2,025,522)	(10,444,691)	(12,470,213)
Balance as at December 31, 2023-After adjustment	438,500,000	512,550,000	(8,380,776)	307,639,448	1,012,568,886	(68,328,217)	2,235,014,699	29,227,303,947	(117,153,717)	(224,048,943)	33,315,665,327	1,856,191,333	35,171,856,660
Total comprehensive income for the year 2024	-	-	-	-	-	8,387,879,226	14,389,964,748	-	-	206,538,747	22,984,382,721	975,644,181	23,960,026,902
Allocation of 2023 losses	-	-	-	-	-	-	-	-	(224,048,943)	224,048,943	-	(110,871,282)	(110,871,282)
Transfer to non-distributable reserves	-	-	-	-	107,323,153	-	-	-	(107,323,153)	-	-	-	-
Revaluation surplus	-	-	-	-	-	-	-	711,288,485	-	-	711,288,485	-	711,288,485
Shareholder's cash contribution to capital (Note 25)	-	-	-	190,500,000	-	-	-	-	-	-	190,500,000	-	190,500,000
Prior year adjustment	-	-	-	-	-	-	-	-	(616,246,196)	-	(616,246,196)	-	(616,246,196)
Effect of exchange rates changes	-	-	-	-	-	-	-	-	179,045,159	-	179,045,159	6,596,225,069	6,775,270,228
Other movement	-	-	-	-	-	-	-	-	-	-	-	(53,927,947)	(53,927,947)
Balance as at December 31, 2024	438,500,000	512,550,000	(8,380,776)	498,139,448	1,119,892,039	8,319,551,009	16,624,979,447	29,938,592,432	(885,726,850)	206,538,747	56,764,635,496	9,263,261,354	66,027,896,850

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

FRANSABANK S.A.L.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Notes	Year Ended December 31,	
		2024 LBP'000	As adjusted 2023 LBP'000
<u>Cash flows from operating activities:</u>			
Profit for the year before tax		2,801,245,247	77,331,696
Adjustments for:			
Unrealized loss on investments at fair value through profit or loss	35	(8,972,976,296)	(82,492,878)
Share in loss / (income) in associates	36	229,432,162	(4,051,532)
(Gain) from disposal of subsidiary	36	-	(4,390,706)
Depreciation and amortization	37	1,468,101,883	543,564,086
Allowance for expected credit losses	43	10,265,220,172	603,639,548
Discounting loans and advances to customers		272,256,431	4,299,865
Net gain on financial assets measured at amortized cost		(119,840,500)	-
Net gain on financial assets at fair value through other comprehensive income		(318,012,344)	-
(Gain) / loss on disposal of property and equipment	36	(124,796,372)	578,170
Gain on disposal of assets acquired in satisfaction of loans	36	(58,500,700)	160,157,252
Provisions	22	1,960,361,331	850,831,627
Difference of exchange / Unrealized currency translation adjustments		85,485,086,481	15,552,309,420
Dividend income	35,36	11,175,554	1,823,278
		92,898,753,049	17,703,599,826
Net increase in placements with banks		552,245,190,214	(34,936,512,487)
Net increase in loans to banks	7	(2,016,104,132)	(350,503,567)
Net increase in loans and advances to customers	8	(146,428,922,235)	(26,131,968,193)
Net increase decrease in investment securities	9	(81,938,588,615)	(19,955,151,380)
Net increase in other assets	17	(1,379,601,957)	(728,436,497)
Net increase in deposits and borrowings from banks	18	5,575,145,158	981,545,108
Net increase in customers' deposits and related parties	19	631,982,625,710	117,458,026,788
Net increase in other liabilities	21	11,583,401,796	1,379,569,013
Proceeds from disposal of assets acquired in satisfaction of loans		179,307,341	56,713,461
Settlements of provisions	22	(69,807,529)	(14,419,184)
		1,062,631,398,800	55,462,462,888
Income tax paid		79,945,925	(6,191,638)
Net cash generated by operating activities		1,062,711,344,725	55,456,271,250
<u>Cash flows from investing activities:</u>			
Proceeds from disposal of tangible and intangible assets		181,884,571	19,052,093
Acquisition of tangible and intangible assets	14	(2,916,685,589)	(203,141,859)
Net cash used in investing activities		(2,734,801,018)	(184,089,766)
<u>Cash flows from financing activities:</u>			
Cash contribution to capital	25	190,500,000	4,644,608
Net decrease in other borrowings	20	7,421,811,300	1,391,334,834
Settlement of lease liabilities	15	(59,003,617)	(19,132,286)
Net cash generated by financing activities		7,553,307,683	1,376,847,156
Net increase in cash and cash equivalents		1,067,529,851,390	56,649,028,640
Cash and cash equivalents beginning of year		62,857,557,054	6,208,528,414
Cash and cash equivalents end of year	40	1,130,387,408,444	62,857,557,054

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

FRANSABANK S.A.L.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

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.

The Group is controlled by Cedars I SAL and Cedars II SAL.

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

<u>Investee</u>	<u>Country of Incorporation</u>	<u>Ownership Interest</u>		<u>Business Activity</u>
		<u>2024</u> %	<u>2023</u> %	
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
F&B Holding S.A.L.	Lebanon	100.00	100.00	Holding
Al Maktab real estate	Lebanon	100.00	100.00	Real Estate

The Group has an ownership interest in the following associates:

<u>Investee</u>	<u>Country of Incorporation</u>	<u>Interests Held</u>		<u>Business Activity</u>
		<u>2024</u> %	<u>2023</u> %	
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 12.

Information on other related party relationships is provided under Note 39.

1.1. The Macro Economic Environment

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

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

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

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

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

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

International Monetary Fund (IMF)

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

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

Lebanese Government's Financial Recovery Plan

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

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

Regional conflict

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

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

Lebanon's Post-Ceasefire Economic Outlook

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

Banking secrecy law

During April 2025, the Lebanese Parliament approved the amendments of the Lebanese banking secrecy law, marking a crucial step towards financial transparency and alignment with international standards. The

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recent amendment aims to grant authorized entities - including independent auditors, regulatory bodies, and the central bank - access to banking records dating back ten years, a key demand by the IMF to advance Lebanon's economic reform agenda.

Restructuring the banking sector

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

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

1.2. 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 a brief of the key circulars:

Regulatory framework:

- *Intermediate Circular 567:*
 - BDL licensees should apply the following minimum regulatory expected credit loss ("ECL") ratios, while permitting banks to constitute progressively those ECLs over a period of five years (starting from 2020). The BDL Central Council may consider the extension of the period to 10 years, for banks that manage to complete the 20% cash contribution to capital requirement. Intermediate circular 649 issued on 24 November 2022 replaced the aforementioned five years and ten years deadline by the fixed dates of 31 December 2026 and 31 December 2029 respectively:
 - Foreign currency placements with BDL, including certificates of deposits: 1.89%
 - Local currency deposits with BDL: 0%
 - Lebanese government bonds in foreign currencies: 75%
 - Lebanese treasury bills in local currency: 0%
 - BDL licensees are allowed not to downgrade loans exposures showing past dues (principal and interest) between February 2020 and December 2020 as a result of COVID-19, unless borrower ceases to operate as a going concern, in which case exposure should be automatically downgraded to Stage 3.
 - Prohibition of dividends distribution on banks' common shares for the years 2019 and 2020, then extended to the years 2021, 2022, 2023 and 2024 as per Intermediate Circulars 616, 659, 676 and 726.
 - By 28 February 2021 (extended), banks should complete a 20% increase of the common equity tier I capital as at 31 December 2018. The BDL Central Council may consider for banks to complete 50% of this capital increase through transfer of real estate by the shareholders, provided these are liquidated within 5 years.
 - Banks can include the revaluation surplus of property and equipment in Tier I capital, subject to BDL approval on the revaluation. However, on 20 January 2023, Intermediate Circular 659 capped the inclusion of revaluation of property and equipment at 50% in Common Equity Tier 1 under certain conditions while allowing the use of the prevailing Sayrafa rate at the end of each reporting period over 5 years. Besides, it widened the scope of revaluation to include participations and long-term loans to affiliated banks and financial institutions. Intermediate Circular 685 issued on 28 December 2023 increased the contribution of this revaluation to Common Equity Tier 1 from 50% to 75%.

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- Banks must comply with the minimum capital adequacy ratios. Bank should refrain from dividend distribution, should these ratios fall below 7% for Common Equity Tier I ratio; 10% for Tier I ratio; and 12% for total capital ratio.
Furthermore, if the capital conservation buffer on Common Equity falls below 2.5% of risk weighted assets during 2020 and 2021, banks should rebuild the gap by end of 2024, by a minimum of 0.75% per year, starting 2022. Intermediate Circular 689 issued on 2 February 2024 allowed a full draw down of the 2.5% buffer during years 2023 and 2024. Central Bank of Lebanon will issue future instructions for reconstitution of capital.
- Banks are required to submit a comprehensive plan to BDL, reflecting own strategies to comply with the regulatory minimum capital requirements, including the timeline to achieve compliance. The plan should incorporate allowances required by the Banking Control Commission of Lebanon against different risks banks are exposed to.
- As exceptional measures for the years 2020 and 2021, 100% of ECL on Stage 1 and Stage 2 exposures (except those against sovereign and BDL exposures in local and foreign currency), may be added to common equity Tier I capital. These will be gradually amortized to 75% in 2022, 50% in 2023 and 25% in 2024.
- *Basic Circular 154:*
 - Banks should perform a fair value assessment of their assets and liabilities and set a plan to comply with all applicable regulatory requirements, namely those related to liquidity and capital adequacy, and restore their levels of service which were in place before the economic crisis. Banks should also submit a request to the BDL Central Council to reconstitute/raise their capital to the required levels by the end of the first quarter of the year 2021, where applicable. In this respect, banks shall consider soliciting their depositors to convert their deposits into shares or bonds, provided listing the bank's shares on the Beirut Stock Exchange.
 - In order to enhance their offshore liquidity, banks are required to instigate those depositors to repatriate 30% (in the case of banks' key executives and politically exposed persons) and 15% (for other depositors) of their overseas transfers made since 1 July 2017 and exceeding the equivalent of USD 500,000. Funds received will be deposited in special saving accounts for 5 years (extended to 8 year-term following Intermediate Circular 707 dated 20 September 2024) and will not be subject to compulsory reserve requirements.
 - Banks should secure by 28 February 2021, offshore foreign currency deposits equivalent to a minimum of 3% of their total foreign currency deposits as at 31 July 2020. The requirement was later subject to several amendments; the latest (Intermediate Circular 707) considered foreign currencies deposits as at 31 July 2024 as the basis for the computation instead of 31 July 2020, thus lowering liquidity required levels as customers' deposits decreased over the period. Banks are granted a time limit ending 31 December 2025 to adjust their situation accordingly. Also it added to the numerator Lebanese sovereign Eurobonds as well as US Treasury and Investment grade foreign debt instruments on the condition they are held at fair value. Intermediate Circular 716 issued on 21 November 2024 expanded again the scope to include sovereign debts instruments issued by G10 countries and debt instruments rated "BBB" and above held at fair value.
- *Intermediate Circular 600* (amending Basic Circular 73) issued on 3 November 2021 requires banks to record existing and future provisions for expected credit losses in the same currency as the related assets and off-balance sheet exposures. Banks are also required to set in place necessary measures to manage their FX position resulting from provisions recorded in foreign currencies.
- *Basic Circular 163* issued on 27 May 2022 defining the framework for the monitoring of the accounts of public officials, the performance of due diligence on their operations and the reporting to the Special Investigation Committee on the basis of founded suspicion.

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- *Intermediate Circular 649* issued on 24 November 2022 (amending Basic Circulars 44 and 143) introduced a forbearance treatment in capital ratios computation by allowing the exclusion from Common Equity Tier 1 of a portion of losses incurred from FX purchases from BDL against LBP banknotes (66% and 33% respectively in 2022 and 2023).
- *Intermediate Circular 708* issued on 20 September 2024 (amending Basic Circulars 43 and 44) changing the treatment of revaluation of foreclosed assets for regulatory capital calculation, to become allowed for inclusion as Common Equity Tier 1 for 75% of its value (previously 33% of this reserve was allowed for inclusion as Tier 2), subject to approval of the Central Bank of Lebanon on the revaluation gain and on the completion of the revaluation before 31 December 2025.
- *Intermediate Circular 692* issued on 15 February 2024 amending the provisions of BDL Basic Circular 83 which defines the framework of the system for fighting Money Laundering and Terrorist Financing. The circular requested banks & financial institutions to establish within the AML/CFT Unit, an Anti-bribery & Corruption Unit.

Monetary policies and socio-economic support:

- *Intermediate Circulars 547 and 552* issued on 23 March 2020 and 22 April 2020 respectively requesting banks to rollover loans to customers in local and foreign currencies maturing between March 2020 to June 2020 up to 5 years at zero interest rate and fees, subject to the bank assessment of the customers' inability to settle their dues because of the economic situation. BDL also allowed the extension of loans to businesses to fund salaries and operating expenses, at the same terms mentioned above. In return, BDL would extend loans to banks in USD at zero interest rates against those loans to banks' customers.
- *Basic Circular 150* issued on 9 April 2020 exempting banks from placing mandatory reserves with the Central Bank of Lebanon in relation to funds transferred from abroad or cash deposits in foreign currency received after 9 April 2020 subject to preserving and guaranteeing the liberty of the depositors in determining the use of these funds and benefiting from all kinds of banking services (transfers abroad, international credit card limits, foreign currency cash withdrawals, ...). Banks are requested to maintain at all times an amount equivalent to those funds in the form of (i) cash held in vaults at the Bank's premises, (ii) offshore accounts held with correspondents and (iii) "cash money" accounts held with BDL as per Basic Circular 165 definition. *Intermediate Circular 715* issued on 21 November 2024 expanded the scope to include sovereign debts instruments issued by G10 countries and debt instruments rated "BBB" and above on the condition they are held at fair value.
- *Basic Circular 152 and Intermediate Circular 569* issued on 6 August 2020 and 26 August 2020 respectively allowing banks extension of loans up to 5 years at zero interest rate, to help those affected by the Beirut Seaport explosion. In return, BDL would extend loans to banks in USD at zero interest rates against those loans to banks' customers.
- *Intermediate Circular 568* issued on 26 August 2020 requesting banks to accept repayment by resident customers of their USD denominated retail loans (up to USD 800,000 for housing loans and USD 100,000 for retail loans) in local currency at the official exchange rate (LBP 1,507.5 to the USD). On 20 January 2023, *Intermediate Circular 656* revoked the aforementioned decision and banded the non-resident customers to settle their payments in offshore USD.
- *Basic Circular 162* issued on 28 March 2022 requesting banks to secure a sufficient level of liquidity to allow public sector employees to withdraw their monthly salaries and other compensations without setting any type of limits.
- *Intermediate Circular 637* issued on 27 July 2022 (amending Basic Circulars 65 and 78) requires banks selling real estate properties or participations acquired in accordance with the provisions of Article 153 or 154 of the CMC, only against fresh USD or its equivalent in LBP based on the Sayrafa platform rate.

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- *Basic Circular 164* issued on 12 October 2022 requires banks to report to the Banking Control Commission on the cost of their monthly operating expenses that should be paid with fresh money, the resources for settling these expenses and how to ensure those resources.
- *Intermediate Circular 648* issued on 1 November 2022 (amending Basic Circulars 14 and 67) reduced by 50% the interest rates on foreign currencies placements with BDL and on Certificates of Deposit issued by BDL while continuing paying 50% of coupon payment in the instrument's currency and 50% in LBP at official rate (LBP 1,507.5 to the US Dollar until 31 January 2023 and LBP 15,000 to the US Dollar afterwards). This circular was later amended on 2 February 2024 by Intermediate Circular 686 increasing the interest rate reduction on foreign currencies placements with BDL and on Certificates of Deposit issued by BDL from 50% to 75% while limiting the coupon payment to be in FCY only. The Intermediate Circular 701 issued on 27 June 2024 specified that interests paid in USD by BDL on the banks' term deposits in US dollars and on Certificates of deposit in US Dollars owned by banks will be placed in the "non-cash money" current account opened at BDL for the concerned bank. Those provisions are applicable until 31 December 2024. Intermediate Circular 719 issued on 17 December 2024 extended the deadline to 30 June 2025.
- *Intermediate Circular 712* issued on 10 October 2024 (amending Basic Circular 147) stipulates that the bank that issued a banker's check to one of its client, has to return the check to the client's account upon the client's request and under his responsibility, provided the check has not been endorsed and there are no legal restrictions or ongoing litigations between the client and the bank regarding this check or the client's account. If the client's account has been closed, the bank is required to reopen it in order to deposit the check. If eligible, the client may benefit from the provisions of BDL Basic Circulars 158 and 166 or any future related circulars.

Foreign exchange policies:

- *Basic Circular 151* issued on 21 April 2020 and concerning depositors who wish to withdraw amounts of cash from their foreign currencies accounts as per a specific rate up to limits set by the Bank. The exchange rate specified by the Central Bank of Lebanon in its transactions with banks will remain applicable to all other operations in US Dollar. At maturity as at 31 December 2023, the circular was not renewed.
- *Basic Circular 157 "Exceptional Procedures on Foreign currency Operations"* issued on 10 May 2021 enacting the legal and regulatory framework of the 'Sayrafa' foreign exchange trading platform developed by the Central Bank of Lebanon. Transactions that can be conducted on the 'Sayrafa' platform consist of purchasing LBP in exchange of fresh foreign currency and purchasing fresh foreign currency in exchange of LBP. Banks are required to properly document each transaction and should not collect commission margins between buy and sell operations exceeding 1%.
- *Basic Circular 158 "Exceptional Measures for the Gradual Withdrawal of Deposits in Foreign currencies"* issued on 8 June 2021 setting out an exceptional framework for the settlement of onshore foreign currency deposits up to an amount equivalent to USD 50,000. To benefit from the provisions of the said circular, certain eligibility criteria must be met.
Customers' monthly entitlements are (i) an amount of USD 400 in cash or equivalent (transfer abroad, credited to a payment card with international usage, etc...) and (ii) an amount in LBP equivalent to USD 400 and converted at a rate USD/LBP 12,000 (before amendment USD/LBP at 15,000 on 20 January 2023), noting that 50% of the amount will be paid in cash and 50% will be credited to a payment card. On 5 July 2023, the Intermediate Circular 674 introduced several amendments to the Basic Circular 158. First, it cancelled the amount in LBP that clients were able to withdraw on a monthly basis from their foreign currencies' accounts opened before 31 October 2019. Second, for the US Dollars portion, the monthly withdrawal remains unchanged at USD 400 per month from the outstanding balance of subaccount opened prior to 1 July 2023 when the client signed the agreement with the Bank based on the aforementioned circular. Third, for all subaccounts created after 30 June 2023, the monthly withdrawal limit is set at USD 300 per month.

On 17 November 2023, BDL issued Intermediate Circular 682 adding an eligibility criteria to benefit from Basic Circular 158; Customers who have transferred their funds after the crisis to another local

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bank can benefit from the provisions of said circular if (i) transferred funds are returned to the originating bank, and if (ii) the customer hadn't benefited from the circular neither from the originating Bank, nor the destination Bank. The financing of the aforementioned process will be secured equally through (i) BDL reduction of compulsory reserves requirements from 15% to 14% as per BDL Intermediary Circular 586 and (ii) the Bank's offshore liquidity. To that end, the Bank can use its foreign liquidity subject computed as per BDL Basic Circular 154 requirements on the condition that it reconstitutes it by 31 December 2024 as amended by the Intermediate Circular 674 issued on 5 July 2023.

On 8 June 2024, BDL issued Intermediate Circular 697 expanding the scope of beneficiaries to include minors. Besides, beneficiaries of BDL Basic Circular 158 can now benefit from BDL Basic Circular 166 as long they don't benefit from both circulars concurrently in the same "yearly cycle" (1st of July in any given year -30th of June in the following year). The yearly cycle requirement was later on removed by Intermediate Circular 717 issued on 26 November 2024.

During 2024 several intermediary circulars were issued granting additional payments to beneficiaries of Basic Circular 158 (2 in October 2024, 1 for each month from November 2024 to January 2025) All additional payments were financed from the Bank's compulsory reserves with BDL in foreign currency. Intermediate circular 729 issued on 20 February 2025 increased the monthly payment to be USD 500 for all beneficiaries of Basic Circular 158. The additional amounts were financed from the Bank's compulsory reserves with BDL in foreign currency.

The Lebanese Central Bank published on June 18, 2025 basic decision 13725 under intermediate circulars 736 which amended basic decision 13335 under basic circular 158. In details, BDL decided to raise the monthly withdrawal ceilings to \$800 (up from \$500) for eligible depositors benefiting from the provisions of basic circular 158. This change will become effective starting the beginning of July 2025.

- *Basic Circular 159* issued on 17 August 2021 preventing banks from processing foreign currency funds received from customers whether in the form of cash or through offshore transfers at a value other than its face value, with the exception of transactions pertaining to the settlement of loans (which was subsequently removed by Intermediate Circular 671 issued on 20 June 2023). It also prevented banks from purchasing foreign currencies at parallel rate with the exception of the purchase foreign currencies duly recorded on the electronic platform and resulting from offshore incoming transfers with the purpose of (i) enhancing liquidity, (ii) engaging in medium or long-term investments, (iii) settling international commitments. Finally, the circular prevented banks from purchasing bankers' checks and other bank's accounts in foreign currencies whether directly or indirectly.
- *Intermediate Circular 667* issued on 13 April 2023 (amending Basic Circular 69) enhancing the framework of "Electronic Banking and Financial Operations" by introducing mainly new detailed rules applicable to E-signature, E-KYC and data protection, along with the related authorization processes from regulatory bodies.
- *Basic Circular 165* issued on 19 April 2023 and requesting banks to open new accounts at BDL in LBP and in US\$ specifically and exclusively for the "Cash Money" (i.e. money transferred from abroad and/or received as banknotes in foreign currencies after 17 November 2019 in addition to the money deposited or which will be deposited as banknotes in new accounts in LBP and which respect the conditions set in BDL basic circular 150 for "fresh money"). These new accounts will be used for the settlement, compensation & transfer operations through BDL National Payment System (BDL-NPS).
- *Intermediate Circular 683* issued on 17 November 2023 amending the provisions of BDL Basic Circular 32 which defines the framework of Foreign Exchange ("FX") operations in Banks operating in Lebanon and various FX positions computation. This circular came on the wake of several amendments applied in 2023 (Intermediate Circular 659, Intermediate Circular 675 and Intermediate Circular 677) aiming at converging to the IAS 21: The Effects of Changes in Foreign Exchange Rates differentiating monetary from non-monetary items and the corresponding impact on the Bank's FX position. Based on the new definition, the Bank is authorized to hold a Special Long FX position to

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hedge its core equity against FX risk. This special long FX position is to be deducted from the FX open position to reach the FX Trading Position. Besides, the circular reintroduced the 1% maximum limit (if the Bank holds concurrently a long open position and a net long trading position) on net trading position and 40% limit on Global position, while cancelling all previously authorized structural/fixed positions and any forbearance limit. The Intermediate Circular 730 issued on 20 February 2025 stated that excesses over set limits whether long or short should be liquidated by 31 December 2025.

- *Intermediate Circular 689* issued on 2 February 2024 permitting the full inclusion in Common Equity Tier 1 of balance of Foreign Currency Translation Adjustments as well as 75% of net changes from FVTOCI instruments. Besides, it allowed a full draw down of the 2.5% capital conservation buffer during years 2023 and 2024.
- *Intermediate Circular 690* issued on 2 February 2024 permitting the full inclusion in the regulatory equity of positive balance (gains) of Foreign Currency Translation Reserve noting that this equity is used for the computation of various regulatory ratios other than capital adequacy ratios (FX position, limit of placement with FI, Code of money credit (“CMC”) 153 limit).
- *Basic Circular 166* issued on 2 February 2024 defining a new mechanism for the repayment of restricted funds in FCY and de-facto replacing Basic Circular 151, which authorized limited withdrawals in LBP from FCY accounts at pre-defined exchange rates and has not been renewed. Beneficiaries from said circular – who cannot be old or current beneficiaries from Basic Circular 158 - would be able to withdraw on a monthly basis USD 150 in cash up to a cumulative amount of USD 4,350 until June 2026. 50% of said amount will be financed from the Bank’s own liquidity and 50% from the Bank’s restricted funds with BDL. Certain exclusions parameters apply to potential customers wishing to benefit from the circular (Customers who did not return offshore transfers as per Basic Circular 154, traders of checks, customers who settled their FCY loans for an amount equivalent to USD 300,000 from LBP proceeds, beneficiaries of Sayrafa transactions above or equal to USD 75,000, corporate clients, etc...). On 27 June 2024, Intermediate Circular 698 expanded the scope of beneficiaries to include minors. Besides, beneficiaries of BDL Basic Circular 166 can now benefit from BDL Basic Circular 158 as long they don’t benefit from both circulars concurrently in the same “yearly cycle” (1st of July in any given year -30th of June in the following year). The yearly cycle requirement was later on removed by Intermediate Circular 718 issued on 26 November 2024. On 20 February 2025, Intermediate Circular 728 increased the monthly amount that can be withdrawn to USD 250. The additional amounts were financed from the Bank’s compulsory reserves with BDL in foreign currency.

The Lebanese Central Bank published on June 18, 2025 basic decision 13726 under intermediate circular 737 which amended basic decision 13611 under basic circular 166. In details, BDL decided to raise the monthly withdrawal ceilings to \$400 (up from \$250) for eligible depositors benefiting from the provisions of basic circular 166. This change will become effective starting the beginning of July 2025.

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

1.3. The Group’s Financial particulars

1.3.1. Foreign exchange

Several exchange rates had emerged since the last quarter of 2019 that varied significantly among each other and from the official published exchange rate. In February 2023, the official exchange rate LBP/USD was changed from LBP 1,507.5 to LBP 15,000 to the US Dollar. In January 2024, the BDL sets the LBP/USD exchange rate at 89,500 to align with the prevailing market rate, which remains unchanged as of the date of issuance of these financial statements.

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In 2023 and 2024, transactions and monetary assets and liabilities in foreign currency, regardless of whether they are onshore or offshore, were reflected in these consolidated financial statements at the exchange rates published by the Central Bank of Lebanon, as follows:

	<u>2024</u>		<u>2023</u>	
	<i>Year-end Rate</i> <i>LBP</i>	<i>Average Rate</i> <i>LBP</i>	<i>Year-end Rate</i> <i>LBP</i>	<i>Average Rate</i> <i>LBP</i>
US Dollar	89,500	89,500	15,000	15,000
Euro	93,465	96,752.54	16,695	15,049.23
Iraqi Dinar	68.32	63.73	11.45	10.48
Algerian Dinar	660.1	666.94	112	102.18
Sudanese Pound	44.81	44.81	16.01	16.01

The Group's monetary assets and liabilities in foreign currency, were converted in Lebanese Pound at the official exchange rate peg of USD1 = LBP89,500 as at 31 December 2024 and USD1 = LBP15,000 as at 31 December 2023 as published by the Central Bank of Lebanon on a monthly basis.

31 December 2024

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

31 December 2023

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

The Group used the new rate of LBP89,500 in its financial information reporting starting 31 January 2024.

The consolidated financial statements as at and for the year ended 31 December 2023 do not include adjustments from the change in this rate from LBP15,000 to LBP89,500 to the US Dollars.

1.3.2. Hyperinflation in Lebanon

As of December 31, 2024 and 2023, all conditions have been met for the Bank'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.

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The Lebanese Central Administration of Statistics reported 3-year and 12-month cumulative rates of inflation of 666% and 18%, respectively, as at December 31, 2024 (2023: 2,005% and 192%). Qualitative indicators, following the deteriorating economic condition and currency controls, also support the conclusion that Lebanon is a hyperinflationary economy for accounting purposes for periods ending on or after December 31, 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, Management is temporarily unable to apply the above-mentioned standard nor is it able to quantify the effect that the application of IAS 29 would have on the presented consolidated financial statements due to the following considerations: the significant divergence in exchange rates, the lack of consensus on the general price index and the lack of views of relevant regulators, including tax authorities. However, management estimates such effects to be significant.

This situation must be taken into account when interpreting the information reported by the Bank in the accompanying financial statements including its statement of financial position, statement of profit or loss, statement of comprehensive income and cash flow statement.

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The Bank is assessing the date at which it will apply IAS 29. The application of IAS 29 is very complex and requires the Bank to develop new accounting software and processes, internal controls and governance framework. 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, 2024, the Group's net credit exposure to Lebanese sovereign debt, including BDL, represented approximately 67% of total assets (2023: 59%).

As at 31 December 2024, loss allowances on assets held at the Central Bank of Lebanon and the portfolio of Lebanese government securities held at amortised cost are recorded in these consolidated financial statements at the loss rates mentioned in the Central Bank of Lebanon's Intermediate Circular 567. 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 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, 2024 and 2023, similarly to other applicable regulatory ratios, was calculated based on the disclosed figures, and did not take into consideration the adjustments that will result from the uncertainties reflected above once these uncertainties become reasonably quantifiable.

1.3.4. 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

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that are dealt with on a case-by-case basis when they occur. The Group has been subject to increased litigations as a result of these restrictive measures adopted by Lebanese banks in relation to withdrawal of funds and transfers abroad, as well as in relation to the repayment by customers of local foreign currency loans in Lebanese pound. Management is carefully considering the impact of these existing litigations and claims. There are still uncertainties related to the consequences of these restrictive measures based on the current available information and the prevailing laws and local banking practices.

However, due to recent development and the increasing trend in judgments ruled in favor of the plaintiffs and customers during 2021, 2022, 2023 and 2024, management considers that they may affect negatively the offshore liquidity of the Group, its foreign assets and its foreign currency exposure as disclosed in Note 44. The amount cannot be determined at present.

1.3.5. Law 330 dated 4 December 2024

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

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

1.3.6. Assets acquired in settlements of loans

Following the enactment of law No. 330 dated December 4, 2024, the Bank has restated the carrying value of assets acquired in satisfaction of loans by applying currency adjustment factors with a retrospective effect from 2023 opening balances and therefore has restated the corresponding comparative figures. The revaluation surplus resulting from such foreign currency rate adjustments is exempt from taxation subject to certain conditions.

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

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

In the current year, the Bank has applied the below amendments to IFRS Standards and Interpretations that are effective for an annual period that begins on or after January 1, 2024. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

• ***Amendments to IAS 7 and IFRS 7 — Supplier Finance Arrangements***

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

The amendments introduce two new disclosure objectives:

One in IAS 7: To provide information enabling users (investors) to assess the effects of supplier finance arrangements on an entity's liabilities and cash flows.

Another in IFRS 7: To help users understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if these arrangements were no longer available.

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

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

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

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

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

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

2.2. 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 Bank. The Bank intends to adopt them when they become effective.

- ***Amendment to IAS 21 — Lack of exchangeability***

The amendments specify when a currency is exchangeable into another currency and when it is not, and how an entity determines a spot rate when a currency lacks exchangeability.

Under the amendments, entities are required to provide additional disclosures to help users evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

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

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

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

Derecognition of financial liabilities

- Derecognition of financial liabilities settled through electronic transfers.

Classification of financial assets

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

Disclosures

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

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

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

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

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• ***IFRS 18 — Presentation and Disclosure in Financial Statement***

IFRS 18 Presentation and Disclosure in Financial Statements replaces IAS 1 Presentation of Financial Statements and sets out significant new requirements for how financial statements are presented, with particular focus on:

- The statement of profit or loss, including requirements for mandatory sub-totals to be presented. IFRS 18 introduces requirements for items of income and expense to be classified into one of five categories in the statement of profit or loss. This classification results in certain sub-totals being presented, such as the sum of all items of income and expense in the operating category comprising the new mandatory ‘operating profit or loss’ sub-total.
- Aggregation and disaggregation of information, including the introduction of overall principles for how information should be aggregated and disaggregated in financial statements.
- Disclosures related to management-defined performance measures (MPMs), which are measures of financial performance based on a total or sub-total required by IFRS Accounting Standards with adjustments made (e.g. ‘adjusted profit or loss’). Entities will be required to disclose MPMs in the financial statements with disclosures, including reconciliations of MPMs to the nearest total or sub-total calculated in accordance with IFRS Accounting Standards.

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

• ***IFRS 19 — Subsidiaries without Public Accountability***

IFRS 19 permits eligible subsidiaries to apply reduced disclosure requirements while applying the recognition, measurement and presentation requirements in IFRS Accounting Standards.

The eligibility criteria for an entity to apply IFRS 19 are:

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

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

2.3. IFRS Sustainability Disclosure Standards.

- **IFRS S1** - effective for annual reporting periods beginning on or after 1 January 2024. IFRS S1 requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity’s cash flows, its access to finance or cost of capital over the short, medium or long term (collectively referred to as ‘sustainability-related risks and opportunities that could reasonably be expected to affect the entity’s prospects’).
- **IFRS S2** - effective for annual reporting periods beginning on or after 1 January 2024. The objective of IFRS S2 is to require an entity to disclose information about its climate-related risks and opportunities that is useful to users of general-purpose financial reports in making decisions relating to providing resources to the entity.

3. MATERIAL ACCOUNTING POLICIES

Basis of Preparation

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

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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, equipment and fixtures.
- 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.

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B. Business Combination

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.

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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 substance 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.

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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 47.

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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.

Credit-impaired financial assets

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial

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- 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.

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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

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- 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.

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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 47.

Other financial liabilities

Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at 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

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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.

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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.

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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. 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.

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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

Land and buildings are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties' revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognized in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties' revaluation reserve is transferred directly to retained earnings.

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.

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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. 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.

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Q. Provisions

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

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

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

R. 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.

S. Net Fee and Commission Income

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

T. 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.

U. Dividend Income

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

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V. Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax is recognized in the statement of profit or loss except to the extent that it relates to items recognized 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.

W. Fiduciary Accounts

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

X. Leases

The Group assesses whether 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.

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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.

Y. 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.

Z. 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.

AA. 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.

4.1. 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.

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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.

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4.2. 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 47. 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.

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5. CASH AND DEPOSITS WITH CENTRAL BANKS

	December 31, 2024		As adjusted December 31, 2023	
	Balance LBP'000	of wich Compulsory/ Regulatory Deposits LBP'000	Balance LBP'000	of wich Compulsory/ Regulatory Deposits LBP'000
Cash on hand	8,806,540,516	-	1,415,898,978	-
<u>Central Bank of Lebanon:</u>				
Current accounts	267,221,439,923	1,381,973,645	40,822,599,420	909,624,062
Term placements	280,765,895,410	3,797,621,246	25,423,042,365	14,602,943,400
Term placements subject to leverage arrangements (Note 10)	-	-	26,814,720,022	-
<u>Other Central Banks:</u>				
Current accounts	29,506,305,730	-	4,341,722,538	-
Accrued interest receivable	828,960,222	-	376,052,587	-
	587,129,141,801	5,179,594,891	99,194,035,910	15,512,567,462
Allowance for expected credit losses (Note 43)	(9,588,747,112)	-	(1,618,574,094)	-
	577,540,394,689	5,179,594,891	97,575,461,816	15,512,567,462

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% (2023:14%) of customers deposits in foreign currencies, certificates of deposit and borrowings acquired from non-resident financial institutions.

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6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

	December 31,	
	2024	As adjusted
	LBP'000	2023
		LBP'000
Items for collection	16,770,262	188,767
Current accounts with banks and financial institutions	14,379,360,840	2,524,741,122
Term placements with banks and financial institutions	8,834,437,623	1,688,956,691
Term placements with related banks and financial institutions	10,639,696,198	1,853,915,423
Accrued interest receivable	176,469,046	39,566,746
	<u>34,046,733,969</u>	<u>6,107,368,749</u>
Allowance for expected credit losses (Note 43)	(202,029,757)	(38,367,929)
	<u>33,844,704,212</u>	<u>6,069,000,820</u>

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

	December 31,	
	2024	As adjusted
	LBP'000	2023
		LBP'000
Onshore	84,111,629	61,105,057
Offshore	33,962,622,340	6,046,263,692
	<u>34,046,733,969</u>	<u>6,107,368,749</u>

7. LOANS TO BANKS

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

	December 31,	
	2024	As adjusted
	LBP'000	2023
		LBP'000
<u>Credit Impaired:</u>		
Loan to a bank	2,422,750,184	406,646,052
Allowance for expected credit losses (Note 43)	(2,222,144,961)	(373,025,065)
	<u>200,605,223</u>	<u>33,620,987</u>

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8. LOANS AND ADVANCES TO CUSTOMERS

	December 31, 2024		
	Gross Amount	Allowance for	Carrying
	Net of Interest	Expected Credit	
	in Suspense	Losses	Amount
	LBP'000	LBP'000	LBP'000
<u>Stage 1 and 2</u>			
Retail customers	4,864,557,704	(116,102,154)	4,748,455,550
Corporates	123,757,331,228	(587,145,174)	123,170,186,054
Small and medium enterprises	856,627,041	(433,686,870)	422,940,171
Accrued interest receivable	740,495,841	-	740,495,841
	130,219,011,814	(1,136,934,198)	129,082,077,616
<u>Stage 3</u>			
Substandard	4,773,479,838	(976,944,914)	3,796,534,924
Doubtful	24,709,813,447	(12,944,742,731)	11,765,070,716
Bad	17,587,901,296	(16,050,955,164)	1,536,946,132
	47,071,194,581	(29,972,642,809)	17,098,551,772
	177,290,206,395	(31,109,577,007)	146,180,629,388
As adjusted			
December 31, 2023			
	Gross Amount	Allowance for	Carrying
	Net of Interest	Expected Credit	
	in Suspense	Losses	Amount
	LBP'000	LBP'000	LBP'000
<u>Stage 1 and 2</u>			
Retail customers	1,332,005,047	(33,039,599)	1,298,965,448
Corporates	20,246,535,396	(245,679,271)	20,000,856,125
Small and medium enterprises	346,512,799	(95,082,803)	251,429,996
Accrued interest receivable	102,821,435	-	102,821,435
	22,027,874,677	(373,801,673)	21,654,073,004
<u>Stage 3</u>			
Substandard	2,468,473,882	(478,930,984)	1,989,542,898
Doubtful	4,194,750,448	(2,074,533,474)	2,120,216,974
Bad	1,805,885,928	(1,579,442,458)	226,443,470
	8,469,110,258	(4,132,906,916)	4,336,203,342
	30,496,984,935	(4,506,708,589)	25,990,276,346

The carrying value of loans and advances to customers include performing loans and advances to related parties in the aggregate of LBP 7.74billion (2023: LBP1 LBP3.19billion) (Note 39).

Discounts on settlement of loans and advances to customers during the year amounted to LBP272.3billion (2023: LBP4.3billion) recognized in the statement of profit or loss.

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9. INVESTMENT SECURITIES

The investment securities outstanding as at December 31, 2024 and 2023 are detailed as follows:

	December 31, 2024			
	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	4,197,635,683	-	9,371,221,933	13,568,857,616
Lebanese treasury bills	49,906	851,364,857	-	851,414,763
Lebanese government bonds	2,345,429,969	83,375,783,500	1,638,059,430	87,359,272,899
Certificates of deposit issued by BDL	-	15,275,881,360	4,000,000	15,279,881,360
Corporate bonds	-	4,728,441,337	-	4,728,441,337
Bonds issued by banks	21,440,263	2,007,245,482	-	2,028,685,745
Term placements with BDL	4,579,785,000	-	-	4,579,785,000
	11,144,340,821	106,238,716,536	11,013,281,363	128,396,338,720
Allowance for expected credit losses (Note 43)	-	(57,837,854,549)	(1,452,038,603)	(59,289,893,152)
Accrued interest receivable	5,297,572	137,985,148	201,346	143,484,066
	11,149,638,393	48,538,847,135	9,561,444,106	69,249,929,634

	As adjusted December 31, 2023			
	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	570,147,806	-	815,566,157	1,385,713,963
Lebanese treasury bills	47,344	1,047,541,349	1,074,821	1,048,663,514
Lebanese government bonds	155,470,927	16,831,515,588	1,313,379,225	18,300,365,740
Certificates of deposit issued by BDL	-	5,582,499,390	4,000,000	5,586,499,390
Corporate bonds	-	716,406,250	-	716,406,250
Bonds issued by banks	3,593,340	122,165,344	-	125,758,684
Term placements with BDL	817,855,206	-	-	817,855,206
	1,547,114,623	24,300,127,921	2,134,020,203	27,981,262,747
Allowance for expected credit losses (Note 43)	-	(11,157,805,150)	(1,233,980,160)	(12,391,785,310)
Accrued interest receivable	2,869,604	72,640,536	220,055	75,730,195
	1,549,984,227	13,214,963,307	900,260,098	15,665,207,632

The Group has Lebanese Treasury Bills, Lebanese Government Bonds and certificates of deposit issued by Central Bank of Lebanon with carrying value of LBP928billion as of December 31, 2024 that were pledged against soft loans and credit facilities granted by the Central Bank of Lebanon – (Notes 20 & 41) (2023: LBP101billion).

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9.1. Investments at fair value through other comprehensive income:

	December 31, 2024		
	Cost	Fair Value	Cumulative
	LBP'000	LBP'000	Change in Fair
			Value
			LBP'000
Equity and preferred shares	4,872,133,632	9,371,221,933	4,499,088,301
Lebanese government bonds	1,671,233,500	1,638,059,430	(33,174,070)
Certificates of deposit issued by the Central Bank of Lebanon	4,000,000	4,000,000	-
	6,547,367,132	11,013,281,363	4,465,914,231
Deferred tax adjustment (note 21.b)			(764,928,920)
			3,700,985,311

	As adjusted		
	December 31, 2023		
	Cost	Fair Value	Cumulative
			Change in Fair
			Value
			LBP'000
Equity and preferred shares	885,161,080	815,566,157	(69,594,923)
Lebanese treasury bills	1,072,364	1,074,821	2,457
Lebanese government bonds	1,326,120,000	1,313,379,225	(12,740,775)
Certificates of deposit issued by the Central Bank of Lebanon	4,000,000	4,000,000	-
	2,216,353,444	2,134,020,203	(82,333,241)
Deferred tax adjustment (note 21.b)			14,219,310
			(68,113,931)

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

	December 31,	
	2024	As adjusted
	LBP'000	2023
		LBP'000
Gross amount	383,804,151	3,607,137,174
Amounts offset against:		
*Term placements with central bank (Note 5)	-	(3,178,942,000)
Net amount reported on the statement of financial position	383,804,151	428,195,174

*Represents amounts that can be offset under IAS 32. In 2023, Placements with the Central Bank of Lebanon have been reported in the consolidated statement of financial position net of the amounts above. On June 27, 2024, the Central Bank of Lebanon decided to terminate the netting agreement, effective June 20, 2024. Accordingly, the outstanding borrowing subject of the “netting agreement”, amounting to LBP601,553million, was settled prior to maturity through the liquidation of the corresponding pledged term placements in Lebanese Pounds at par value (Note 5).

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% (2023: 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:

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	December 31,	
	2024	As adjusted
	LBP'000	2023
		LBP'000
Term placements with central bank of Lebanon	-	26,758,963,070
Term placement with the Central bank of Lebanon in LBP originated from sale of foreign currency	-	55,756,952
	-	26,814,720,022
Lebanese government bonds	-	108,958,890
	-	26,923,678,912

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.

11. CUSTOMERS LIABILITY UNDER ACCEPTANCES

Acceptances represent documentary credits which the Group has committed to settle on behalf of its customers against commitments by those customers (acceptances). These acceptances are presented without expected loss allowance in 2024 and 2023 (Note 43). The commitments resulting from these acceptances are stated as a liability in the statement of financial position for the same amount.

12. INVESTMENTS IN ASSOCIATES

Investments in associates are not listed and are detailed as follows:

	Country of	Interest Held		December 31,	
		2024	2023	2024	As adjusted
	Incorporation	%	%	LBP'000	2023
					LBP'000
Bancassurance S.A.L	Lebanon	60	60	94,893,513	28,303,967
United Capital Bank	Republic of Sudan	20	20	318,123,583	46,998,325
International Payment Network	Lebanon	20.30	20.30	6,766,156	649,748
				419,783,252	75,952,040

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:

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	Bancassurance		United Capital Bank	
	As adjusted		As adjusted	
	2024	2023	2024	2023
	LBP'000	LBP'000	LBP'000	LBP'000
Cash and banks	781,087,981	1,308,167,510	2,110,582,948	514,055,424
Loans and advances	-	-	2,832,901,518	554,871,557
Investment securities	1,282,419,623	1,944,886,584	-	1,321,763
Property and equipment, net	801,315,285	718,672,647	40,985,500	13,505,728
Other assets	81,331,510	69,576,316	78,459,698	20,191,240
Deposits from banks	-	-	(46,485,993)	(7,138,959)
Deposits from customers	-	-	(1,548,745,551)	(548,621,984)
Equity of unrestricted investment account	-	-	(1,218,486,385)	(398,741,201)
Other liabilities and provisions	(119,651,163)	(99,013,820)	(978,029,659)	(73,947,827)
Net assets	158,155,855	760,595,284	1,271,182,076	75,495,741
Group's share in net assets (excluding Goodwill)	94,893,513	456,357,170	254,236,415	15,099,148
Net revenues	96,902,883	97,821,162	234,622,144	31,406,320
Net income from financial assets at FVTPL	57,822,486	56,649,398	-	-
Claims paid and change in insurance liabilities	4,150,743	12,034,921	-	-
Other income (net)	(215,254)	549,599,198	1,662,263,106	162,131,858
Operating expenses	(281,867,265)	(197,650,299)	(332,957,110)	(201,463,702)
Income tax expense	(3,699,823)	(1,622,279)	(66,802,759)	(1,403,351)
Provision for expected credit losses	(574,588,281)	(404,811,516)	(570,367,300)	(12,732,157)
Net result for the year	(701,494,511)	112,020,585	926,758,081	(22,061,032)
Prior year currency translation adjustment	(107,734,298)	(107,734,298)	-	-
Group's share in net result	(485,537,285)	2,571,772	185,351,616	(4,412,206)

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

	December 31,	
	As adjusted	
	2024	2023
	LBP'000	LBP'000
Balance January 1	75,952,040	20,535,899
Share in net income	(229,432,162)	4,051,532
Share in revaluation surplus	498,009,726	-
Impact of change in equity components	(15,025,850)	-
Net impairment / change in investment at FVOCI	8,990,000	-
Capital increase in Bancassurance	-	51,502,500
Currency translation adjustment	81,289,498	(137,891)
Balance December 31	419,783,252	75,952,040

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13. 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, 2024 and 2023.

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

	<u>Cost</u> <u>LBP'000</u>	<u>Impairment</u> <u>LBP'000</u>	<u>Carrying Value</u> <u>LBP'000</u>
Balance as at January 1, 2023- Before adjustment	153,744,263	(3,429,881)	150,314,382
Adjustments	(3,087,554)	(13,451,140)	(16,538,694)
Revaluation surplus	5,219,871,298	(287,933,910)	4,931,937,388
Balance as at January 1, 2023 - After adjustment	5,370,528,007	(304,814,931)	5,065,713,076
Acquisitions	303,522	-	303,522
Adjustments	(3,621,875)	-	(3,621,875)
Disposals	(218,525,642)	1,654,929	(216,870,713)
Revaluation surplus	5,772,761,205	(285,617,445)	5,487,143,760
Balance as at December 31, 2023- After adjustment	10,921,445,217	(588,777,447)	10,332,667,770
Acquisitions	1,118,750	-	1,118,750
Disposals	(120,806,641)	-	(120,806,641)
Balance as at December 31, 2024	10,801,757,326	(588,777,447)	10,212,979,879

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.

In accordance with law No. 330 dated 4 December 2024, the Bank has adjusted the carrying value of assets acquired in settlement of loans by applying currency adjustment factors to the carrying value with a retrospective effect from 2023 opening balances and therefore has adjusted the corresponding comparative figures. The resulting revaluation surplus is still subject to the Ministry of Finance and Central Bank of Lebanon approval.

The revaluation surplus as of 1 January 2023, converted at the rate of LBP 42,000/USD, was recognised as an adjustment to 2023 opening balances (LBP4,931billion). The remaining amount resulting from the conversion of this surplus at the rate of LBP 89,500/USD was recognised in the statement of other comprehensive income for the year 2023 under “revaluation surplus” (LBP5,206 billion).

Gain on disposals amounted to LBP58.5billion (2023: Loss LBP160billion) recognized under “Other operating loss/income (net)” in the consolidated statement of profit or loss (Note 36).

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14. TANGIBLE AND INTANGIBLE ASSETS

14.1. Property and equipment

	Balance January 1, 2024 LBP'000	Additions and transfers LBP'000	Disposals and adjustments LBP'000	Revaluation surplus and adjustments LBP'000	Currency Translation Adjustment LBP'000	Balance December 31, 2024 LBP'000
<u>Cost:</u>						
Buildings	28,916,148,093	2,582,783,843	(72,990,628)	780,722,088	2,678,964,383	34,885,627,779
Furnitures, equipment and computers	6,255,250,329	(3,362,500,513)	(439,742,614)	-	4,013,318,618	6,466,325,820
Vehicules	256,575,344	237,811	-	-	65,977,629	322,790,784
Office improvements and instalations	276,913,959	3,189,913,509	-	-	1,354,350,549	4,821,178,017
Advance payments	325,599,249	-	(44,473)	-	-	325,554,776
	<u>36,030,486,974</u>	<u>2,410,434,650</u>	<u>(512,777,715)</u>	<u>780,722,088</u>	<u>8,112,611,179</u>	<u>46,821,477,176</u>
Accumulated depreciation	(15,769,758,614)	(1,180,874,804)	455,689,516	(359,142,855)	(1,327,453,629)	(18,181,540,386)
Provision for impairment	(447,835)	-	-	-	-	(447,835)
Net carrying value	<u>20,260,280,525</u>					<u>28,639,488,955</u>

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	Balance January 1, 2023 before adjustment LBP'000	Revaluation surplus and adjustments LBP'000	Balance January 1, 2023 after adjustment LBP'000	Effect of revaluation LBP'000	Additions and transfers LBP'000	Disposals and adjustments LBP'000	Currency Translation Adjustment LBP'000	Balance December 31, 2023 LBP'000
<i>Cost:</i>								
Buildings	387,124,170	12,613,855,611	13,000,979,781	15,350,348,283	1,228,260	-	563,591,769	28,916,148,093
Furnitures, equipment and computers	179,011,822	2,381,385,922	2,560,397,744	2,822,003,814	97,254,557	(24,654,351)	800,248,565	6,255,250,329
Vehicles	5,501,293	109,581,357	115,082,650	129,341,293	2,008,356	(283,421)	10,426,466	256,575,344
Office improvements and instalations	170,229,459	-	170,229,459	-	26,671,794	(1,309,838)	81,322,544	276,913,959
Advance payments	12,367,105	142,415,417	154,782,522	174,157,275	(6,447,036)	(234,017)	3,340,505	325,599,249
	<u>754,233,849</u>	<u>15,247,238,307</u>	<u>16,001,472,156</u>	<u>18,475,850,665</u>	<u>120,715,931</u>	<u>(26,481,627)</u>	<u>1,458,929,849</u>	<u>36,030,486,974</u>
Accumulated depreciation	(322,046,978)	(6,664,741,362)	(6,986,788,340)	(8,069,859,761)	(476,968,608)	8,007,704	(244,149,609)	(15,769,758,614)
Provision for impairment	(3,438,425)	2,990,590	(447,835)	-	-	-	-	(447,835)
Net carrying value	<u>428,748,446</u>			<u>10,405,990,904</u>				<u>20,260,280,525</u>

Revaluation of Land and Buildings

Fair value of land and buildings was determined using the market comparable method. The valuations have been performed by the valuer and are based on proprietary databases of prices of transactions for properties of similar nature, location and condition. As at the date of revaluation, the properties' fair values are based on valuations carried out by an independent valuer accredited by the Lebanese authorities. Gain from revaluation of LBP17,841billion in 2023 and LBP18,719billion in 2024 was recognised in other comprehensive income (1 January 2023: LBP8,150billion).

In accordance with the Central Bank of Lebanon's Intermediate Circular 685 issued on 28 December 2023, banks may revalue their properties in US Dollars and translate the revalued amount to LBP at the BDL platform rate as at 30 June 2023 and at the end of each reporting period. The price above is based on the BDL platform rate of LBP 89,500 to the US Dollar (2023: LBP 86,200 to the US Dollar).

During the first quarter of 2025 the Group received the approval of the Central Bank of Lebanon on the revaluation of its real estate properties as at December 31, 2023. The resulting revaluation surplus is still subject to the Ministry of Finance approval.

In accordance with law No. 330 dated 4 December 2024, the Bank has adjusted the carrying value of those assets by applying currency adjustment factors to the resulting revalued amount with a retrospective effect from 2023 opening balances and therefore has adjusted the corresponding comparative figures. The resulting revaluation surplus is still subject to the Ministry of Finance approval.

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The revaluation surplus as of 1 January 2023, converted at the rate of LBP 42,000/USD, was recognised as an adjustment to 2023 opening balances (LBP8,150billion). The remaining amount resulting from the conversion of this surplus at the rate of LBP 89,500/USD was recognised in the statement of other comprehensive income for the year 2023 under “revaluation surplus” for an amount of LBP9,691billion (year end 2023) and LBP878billion (year end 2024).

Fixtures and equipment

In accordance with law No. 330 dated 4 December 2024, the Bank has adjusted the carrying value of the remaining items under property and equipment by applying currency adjustment factors to the net book value with a retrospective effect from 2023 opening balances and therefore has adjusted the corresponding comparative figures. The resulting revaluation surplus is still subject to the Ministry of Finance approval.

The revaluation surplus as at 1 January 2023, converted at the rate of LBP 42,000/USD, was recognised as an adjustment to 2023 opening balances (LBP578billion). The remaining amount resulting from the conversion of this surplus at the rate of LBP 89,500/USD was recognised in the statement of other comprehensive income for the year 2023 under “revaluation surplus” (LBP462billion).

14.2. Intangible assets

	Balance January 1, 2024 LBP'000	Additions and transfers LBP'000	Disposals LBP'000	Currency Translation Adjustment LBP'000	Balance at December 31, 2024 LBP'000
<u>Cost:</u>					
Purchase Software	1,691,352,050	113,985,006	(26,785,386)	506,250,939	2,284,802,609
	1,691,352,050	113,985,006	(26,785,386)	506,250,939	2,284,802,609
<u>Accumulated Amortization:</u>					
Purchase Software	(1,431,367,446)	(157,297,787)	26,785,386	(367,829,012)	(1,929,708,859)
	(1,431,367,446)	(157,297,787)	26,785,386	(367,829,012)	(1,929,708,859)
Advance Payments	5,236,164	14,773,248	-	-	20,009,412
Carrying Value	<u>265,220,768</u>				<u>375,103,162</u>

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	Balance January 1, 2023 before adjustment LBP'000	Revaluation surplus LBP'000	Balance January 1, 2023 after adjustment LBP'000	Additions and transfers LBP'000	Disposals LBP'000	Currency Translation Adjustment LBP'000	Revaluation surplus LBP'000	Balance at December 31, 2023 LBP'000
<u>Cost:</u>								
Purchase Software	42,537,492	632,217,961	674,755,453	27,244,662	(1,034,928)	82,425,928	907,960,935	1,691,352,050
	42,537,492	632,217,961	674,755,453	27,244,662	(1,034,928)	82,425,928	907,960,935	1,691,352,050
<u>Accumulated Amortization:</u>								
Purchase Software	(36,068,003)	(561,153,792)	(597,221,795)	(44,701,136)	1,034,928	(64,616,553)	(725,862,890)	(1,431,367,446)
	(36,068,003)	(561,153,792)	(597,221,795)	(44,701,136)	1,034,928	(64,616,553)	(725,862,890)	(1,431,367,446)
Advance Payments	6,622,346	-	6,622,346	(1,386,182)	-	-	-	5,236,164
Carrying Value	<u>13,091,835</u>		<u>84,156,004</u>					<u>265,220,768</u>

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In accordance with law No. 330 dated 4 December 2024, the Bank has adjusted the carrying value of intangible assets by applying currency adjustment factors to the net book value with a retrospective effect from 2023 opening balances and therefore has adjusted the corresponding comparative figures. The resulting revaluation surplus is still subject to the Ministry of Finance approval.

The revaluation surplus as at 1 January 2023, converted at the rate of LBP 42,000/USD, was recognised as an adjustment to 2023 opening balances (LBP71billion). The remaining amount resulting from the conversion of this surplus at the rate of LBP 89,500/USD was recognised in the statement of other comprehensive income for the year 2023 under “revaluation surplus” (LBP182billion).

15. 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, 2023	28,778,578	33,260,099
Amortization of right of use assets (Note 37)	(21,894,342)	-
Interest expense (Note 32)	-	22,548,949
Payments	-	(19,132,286)
Adjustments/cancelation on lease contracts	3,225,240	(47,131,233)
Difference of exchange	<u>161,526,519</u>	<u>280,111,316</u>
Balance at December 31, 2023 - as adjusted	<u>171,635,995</u>	<u>269,656,845</u>
Amortization of right of use assets (Note 37)	(129,929,292)	-
Interest expense (Note 32)	-	100,150,326
Payments	-	(59,003,617)
Adjustments/cancelation on lease contracts	4,101,984	(78,552,138)
Difference of exchange	<u>790,376,221</u>	<u>945,058,443</u>
Balance at December 31, 2024	<u>836,184,908</u>	<u>1,177,309,859</u>

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”.

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16. GOODWILL

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

	December 31,	
	2024	As adjusted 2023
	LBP'000	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

17. OTHER ASSETS

This caption consists of the following:

	December 31,	
	2024	As adjusted 2023
	LBP'000	LBP'000
Deferred tax asset	444,737,809	36,194,518
Regulatory blocked deposit	20,819,384	9,127,851
Assets in process of acquisition in settlement of loans (a)	1,011,272	10,006,722
Deferred charges on long term placements with BDL (b)	3,305,611	1,267,723
Deferred losses on exchange of debt securities	-	322,018
Other deferred charges	632,500	424,004
Prepayments	362,329,763	86,952,434
Accrued income	22,946,397	4,671,799
Regularisation account / Sayrafa	-	347,084,472
Sundry accounts receivable	1,514,518,731	511,757,330
Allowance for expected credit losses (Note 43)	(24,944,497)	(4,840,466)
	2,345,356,970	1,002,968,405

- a) 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.
- b) Deferred charges on long term placements with BDL represent commissions paid by the Bank on long term placements with Central Bank of Lebanon. These commissions are amortized over the life of the corresponding placements as a yield adjustment to the interest income of these placements.

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18. DEPOSITS AND BORROWINGS FROM BANKS

	December 31,	
	2024	As adjusted 2023
	LBP'000	LBP'000
Current deposits of banks and financial institutions	1,118,056,385	339,110,828
Current deposits - Related parties	358,585,872	214,439
Money market deposits	4,715,429,967	821,622,627
Other short-term borrowings	564,097,704	20,076,876
Accrued interest payable	960,821	666,600
Accrued interest payable - related parties	667,727	41,630
	<u>6,757,798,476</u>	<u>1,181,733,000</u>

19. DEPOSITS FROM CUSTOMERS AND RELATED PARTIES

Customers' accounts at amortized cost are detailed as follows:

	December 31,	
	2024	As adjusted 2023
	LBP'000	LBP'000
<u>Deposits:</u>		
Current/demand deposits	282,473,900,295	49,749,919,981
Term deposits	458,302,387,972	80,681,511,150
Collateral against loans and advances	4,015,639,679	880,340,313
<u>Margins and other accounts:</u>		
Margins against import letters of credit	4,879,399,111	727,649,770
Margins against letters of guarantee issued	4,298,176,884	600,282,127
Other margin	12,630,585,865	2,665,795,121
Blocked accounts	940,712,677	252,678,311
Accrued interest payable	916,684,179	160,350,254
Total	<u>768,457,486,662</u>	<u>135,718,527,027</u>

Customers' deposits include related parties detailed as follows:

	December 31,	
	2024	As adjusted 2023
	LBP'000	LBP'000
Current assets	4,152,838,704	481,263,072
Term deposits	54,987,943,194	7,118,357,849
Collateral against loans and advances	5,035,351	5,035,256
Margins	6,366	6,366
Blocked accounts	3,133,357	1,884,936.00
Accrued interest payable	15,335,080	3,472,092
	<u>59,164,292,052</u>	<u>7,610,019,571</u>

Deposits from customers at amortized cost include coded deposit accounts amounting to LBP1,373.2billion

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(2023: LBP300.6billion). 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 LBP86.22billion (2023: LBP15.5billion from resident banks respectively).

20. OTHER BORROWINGS

	December 31,	
	2024	As adjusted 2023
	LBP'000	LBP'000
Borrowings from International Finance Corporation (a)	2,442,938,158	379,153,218
Borrowings from Central Bank of Lebanon (b)	785,875,950	105,912,738
Borrowings from Central Bank of Lebanon under leverage (Note 10)	383,804,151	428,195,174
Borrowings from SANAD (c)	1,454,137,812	577,501,452
Green bonds (d)	4,486,232,512	702,561,350
Reconstruction and Development International Bank	74,374,414	12,227,765
	9,627,362,997	2,205,551,697
Accrued interest payable	223,762,626	30,335,087
	9,851,125,623	2,235,886,784

(a) Borrowing from International Finance Corporation:

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

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

Balances as at year end include unsettled overdue payments and interests of LBP2.1trillion.

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

(b) Borrowings from Central Bank of Lebanon:

Borrowings from Central Bank of Lebanon represent facilities in connection with Central Bank of Lebanon Basic Decision No. 6116 dated March 7, 1996 and its amendments by which the Bank benefited from credit facilities granted against certain loans that the Bank has granted, to its customers, pursuant to certain conditions, rules and mechanism. These facilities are partially collateralized against Lebanese treasury bills and Certificates of deposit (Note 41) amounting to LBP928billion (2023: LBP101billion).

(c) Borrowing from SANAD Fund for MSME:

In 2017, a 7-year credit line in the amount of USD20million was granted to the Bank by SANAD Fund for MSME to finance SMEs operating in all productive sectors of the economy. This borrowing is to be settled semi-annually starting January 2020 and will mature in January 2025. Balances as at year end include unsettled overdue payments and interests of LBP1.5trillion.

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

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(d) Green Bonds:

During 2018, the Bank issued bonds in the amount of USD60million for a period of 7 years. These bonds are subject to a fixed annual interest rate of 6.788% and mature in 2025. Balances as at year end include unsettled overdue payments and interests of LBP4.5trillion.

The movement of borrowings was as follows:

	2024	As adjusted 2023
	LBP'000	LBP'000
Balance January 1	2,205,551,697	1,242,412,037
Net additions/(settlements)	(350,496,013)	(304,980,522)
Difference of exchange	7,772,307,313	1,268,120,182
Balance December 31	9,627,362,997	2,205,551,697

21. OTHER LIABILITIES

	December 31,	
	2024	As adjusted 2023
	LBP'000	LBP'000
Current tax liability (a)	59,950,203	19,803,239
Deferred tax liability (b)	1,219,983,728	51,406,103
Other deferred income tax liability	105,943,731	21,454,587
Withholding and other taxes payable	960,112,253	218,339,649
Due to the Social Security National Fund	65,886,085	16,604,057
Checks and incoming payment orders in course of settlement	86,636,367	57,051,902
Accrued expenses	1,261,976,124	313,619,807
Sundry accounts payable	10,161,934,329	921,195,650
	13,922,422,820	1,619,474,994

(a) Current tax liability is detailed as follows:

	2024	As adjusted 2023
	LBP'000	LBP'000
Profit before tax from continuing operations	2,801,245,247	77,331,696
Income tax on enacted applicable rates	1,203,652,999	157,665,159
Effect of non-deductible expense and non-taxable income	(53,735,871)	(16,049,623)
Income tax expense	1,149,917,128	141,615,536
Less Tax paid in advance and deferred tax	(1,089,966,925)	(121,812,297)
	59,950,203	19,803,239

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(b) Deferred tax liability is detailed as follows:

	December 31,	
	2024 LBP'000	As adjusted 2023 LBP'000
Deferred tax liability / (asset) on items recognized in other comprehensive income (note 9)	764,928,920	(14,219,310)
Deferred tax liability on undistributed profits of subsidiaries and associates of the Bank	455,054,808	65,625,413
	1,219,983,728	51,406,103

22. PROVISIONS

	December 31,	
	2024 LBP'000	As adjusted 2023 LBP'000
Provision for staff end-of-service indemnities (a)	640,723,813	308,973,328
Provision for contingencies (b)	2,099,825,121	767,334,505
Allowance for expected credit losses on financial guarantees and off-balance sheet commitments (Note 38)	437,806,879	155,399,661
Provision for loss on foreign currency position	1,199,878	1,819,438
Provision for Off-balance sheet risk	240,000	240,000
Others	519,507,240	59,573,811
	3,699,302,931	1,293,340,743

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

	2024 LBP'000	As adjusted 2023 LBP'000
Balance January 1	308,973,328	74,475,318
Additions	370,744,145	237,326,236
Settlements	(46,304,864)	(6,464,361)
Write Back	(1,341,247)	-
Transfer	-	(46,648)
Adjustment	-	(81,366)
Effect of exchange rates changes	8,652,451	3,764,149
Balance December 31	640,723,813	308,973,328

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

	2024	As adjusted
	LBP'000	2023
		LBP'000
Balance January 1	767,334,505	171,217,329
Additions	1,129,683,757	561,471,463
Settlements	(23,502,665)	(7,954,823)
Transfer	(62,384,195)	4,851,040
Effect of exchange rates changes	188,944,555	34,840,223
Reclassification from other liabilities	99,749,164	2,909,273
Balance December 31	2,099,825,121	767,334,505

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

23. 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.

24. PREFERRED SHARES

	Year of Issue	Number of shares	Nominal Value		Share Premium	
			As adjusted		As adjusted	
			2024	2023	2024	2023
		LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Series "C"	2012	375,000	7,500,000	7,500,000	105,562,500	105,562,500
Series "D"	2014	425,000	8,500,000	8,500,000	119,637,500	119,637,500
Series "E"	2015	525,000	10,500,000	10,500,000	147,787,500	147,787,500
Series "F"	2017	375,000	7,500,000	7,500,000	105,562,500	105,562,500
			34,000,000	34,000,000	478,550,000	478,550,000

25. 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 2024 amounted to LBP71billion (2023: LBP11.79billion) (Note 32).

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 (LBP162.10billion), USD3.081million (LBP4.64billion). and USD 12.7million (LBP 190.5billion).

The general assembly of shareholders held on 14 July, 2023 resolved the forfeiture of interest on shareholders' cash contributions issued in 2020, related to the year 2022. This decision was rejected by the Central Bank of Lebanon who has requested to amend all the contracts as not to pay any return on the cash contributions, not limiting them to a specific period of time, and including a waiver by the subscribing shareholders of their right to receive the previously determined unpaid returns.

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26. NON-DISTRIBUTABLE RESERVES

Non distributable reserves consist of the following:

	December 31,	
	2024	As adjusted
	LBP'000	2023
		LBP'000
Legal reserve (a)	254,898,662	242,795,677
Non-distributable general reserve (b)	763,796,307	666,245,259
Reserve for assets acquired in satisfaction of loans	101,197,070	103,527,950
	<u>1,119,892,039</u>	<u>1,012,568,886</u>

- (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.

27.1 INVESTMENTS FAIR VALUE RESERVE

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

	December 31,	
	2024	As adjusted
	LBP'000	2023
		LBP'000
Cumulative unrealized (loss) / gain on investment securities at fair value through other comprehensive income (Net)	4,465,914,231	(82,333,241)
Foreign currency translation adjustment on investment securities at fair value through other comprehensive income	4,619,539,881	-
Deferred tax, net (Notes 9 & 21.b)	(764,928,920)	14,219,310
	<u>8,320,525,192</u>	<u>(68,113,931)</u>
<u>Less:</u> Share of non-controlling interests (Note 29)	<u>974,183</u>	<u>214,286</u>
Share of Equity holders of the Bank	<u>8,319,551,009</u>	<u>(68,328,217)</u>

27.2 REVALUATION SURPLUS

Revaluation surplus consists of the following:

	December 31,		
	2024	As adjusted	As adjusted
	LBP'000	2023	January 1, 2023
		LBP'000	LBP'000
Owned buildings	18,745,341,001	17,866,967,503	8,176,308,613
Assets acquired in satisfaction of loans	9,915,787,350	10,067,045,461	4,865,603,929
Fixtures and equipment	1,024,301,867	1,040,128,769	578,196,785
Intangible assets	253,162,214	253,162,214	71,064,169
	<u>29,938,592,432</u>	<u>29,227,303,947</u>	<u>13,691,173,496</u>

28. TREASURY SHARES

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 EUR18,318,263 after the payment to the minority shareholders.

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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 is LBP8.38billion 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)
Effect of exchange rate changes	(1,578,354)
Balance as at December 31, 2023 - as adjusted	(8,380,776)
Balance as at December 31, 2024	(8,380,776)

29. NON-CONTROLLING INTERESTS

	December 31,	
	2024	As adjusted 2023
	LBP'000	LBP'000
Capital	124,942,131	124,942,131
Change in fair value of investment securities through other comprehensive income (Note 27)	974,183	214,286
Preferred shares	152,786,633	152,786,633
Shareholders' cash contribution to capital	32,212	32,212
Foreign currency translation reserve	7,816,629,642	1,220,404,574
Reserves and retained earnings	(55,620,676)	(932,832)
Revaluation surplus	247,873,047	247,873,047
Profit for the year	975,644,182	110,871,282
	<u>9,263,261,354</u>	<u>1,856,191,333</u>

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

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	December 31, 2024	
	Fransabank France SA LBP'000	Fransabank El- Djazair SPA LBP'000
NCI percentage	20.79%	47.25%
Cash and banks	31,559,435,385	20,576,575,936
Loans and advances	46,273,706,303	80,056,308,842
Investment securities	22,687,403	2,078,352,733
Other assets	865,135,433	10,231,555,524
Deposits from banks	(5,597,049,415)	(653,276,957)
Deposits from customers	(63,429,171,642)	(92,005,447,956)
Other liabilities and provisions	(875,121,179)	(4,742,639,659)
Net assets	8,819,622,288	15,541,428,463
NCI share	1,833,599,474	7,343,324,949
Net financial revenues	2,620,811,182	5,884,713,693
Net allowance for expected credit losses	-	(998,652,971)
Operating expenses	(891,208,838)	(2,255,659,761)
Income tax expense	(439,021,036)	(702,799,979)
Profit for the year	1,290,581,308	1,927,600,982
Other comprehensive income (OCI)	-	-
Total comprehensive income for the year	1,290,581,308	1,927,600,982
Profit allocated to NCI	268,311,854	910,791,464
OCI allocated to NCI	-	-

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	As adjusted December 31, 2023	
	Fransabank France SA LBP'000	Fransabank El- Djazair SPA LBP'000
NCI percentage	20.79%	47.25%
Cash and banks	4,696,213,220	3,781,430,140
Loans and advances	7,896,418,460	11,610,598,572
Investment securities	3,903,592	126,932,977
Other assets	74,353,949	1,482,704,533
Deposits from banks	(935,732,345)	(7,677,357)
Deposits from customers	(10,166,584,205)	(13,722,871,743)
Other liabilities and provisions	(137,020,537)	(740,876,388)
Net assets	1,431,552,134	2,530,240,734
NCI share	297,619,689	1,195,538,747
Net financial revenues	395,193,733	678,122,018
Net allowance for expected credit losses	(50,206,635)	(116,281,107)
Operating expenses	(115,691,549)	(275,655,090)
Income tax expense	(62,500,957)	(77,766,725)
Profit for the year	166,794,592	208,419,096
Other comprehensive loss (OCI)	-	-
Total comprehensive income for the year	166,794,592	208,419,096
Profit allocated to NCI	34,676,596	98,478,023
OCI allocated to NCI	-	-

30. RESULTS OF THE YEAR

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

	2024		
	Owners of the Bank LBP'000	Non-Controlling Interests LBP'000	Total LBP'000
Loss of the Bank	(1,600,226,451)	-	(1,600,226,451)
<u>Income of subsidiaries:</u>			
Fransabank France S. A	902,347,975	216,390,756	1,118,738,731
Lebanese Leasing Company S.A.L	35,621	-	35,621
Switch and Electronics Services S.A.L	51,580,105	-	51,580,105
Sogefon S.A.L	131,126	-	131,126
Fransabank El-Djazair S.P. A	1,016,809,518	760,665,655	1,777,475,173
Fransabank Insurance Services S.A. L	415,542,494	-	415,542,494
BLC Bank S.A.L and Subsidiaries	(111,316,139)	(1,412,230)	(112,728,369)
F&B Invest Holding	(306,090)	-	(306,090)
Al Maktab	1,085,779	-	1,085,779
Deferred tax on Profit from associates and subsidiaries	(469,145,191)	-	(469,145,191)
	206,538,747	975,644,181	1,182,182,928

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	As adjusted 2023		
	Owners of the Bank	Non-Controlling Interests	Total
	LBP'000	LBP'000	LBP'000
Loss of the Bank	(330,945,284)	-	(330,945,284)
<u>Income of subsidiaries:</u>			
Fransa Invest Bank S.A. L	8,356,560	-	8,356,560
Fransabank France S. A	132,117,996	31,189,681	163,307,677
Lebanese Leasing Company S.A.L	(2,415,596)	-	(2,415,596)
Switch and Electronics Services S.A.L	(770,050)	-	(770,050)
Sogefon S.A.L	(32,150)	-	(32,150)
Fransabank El-Djazair S.P. A	109,941,073	81,329,300	191,270,373
Fransabank Insurance Services S.A. L	(585,228)	-	(585,228)
BLC Bank S.A.L and Subsidiaries	(77,394,535)	(1,647,699)	(79,042,234)
F&B Invest Holding	(13,688,788)	-	(13,688,788)
Al Maktab	260,880	-	260,880
Deferred tax on Profit from associates and subsidiaries	(48,893,821)	-	(48,893,821)
	(224,048,943)	110,871,282	(113,177,661)

31. INTEREST INCOME

	2024		
	Interest Income	Tax on Interest	Net Interest Income
	LBP'000	LBP'000	LBP'000
<u>Interest income from:</u>			
Deposits with central banks	4,613,271,617	(347,880,871)	4,265,390,746
Deposits with banks and financial institutions	1,152,029,585	(3,582,647)	1,148,446,938
Investment securities	756,274,142	(45,511,631)	710,762,511
Loans to banks	240,446,334	-	240,446,334
Loans and advances to customers	10,585,872,563	-	10,585,872,563
Loans and advances to related parties	406,395	-	406,395
Impaired loans and advances to customers	1,107,363,914	-	1,107,363,914
	18,455,664,550	(396,975,149)	18,058,689,401

	As adjusted 2023		
	Interest Income	Tax on Interest	Net Interest Income
	LBP'000	LBP'000	LBP'000
<u>Interest income from:</u>			
Deposits with central banks	1,534,250,924	(134,067,600)	1,400,183,324
Deposits with banks and financial institutions	215,876,084	(590,182)	215,285,902
Investment securities	371,490,323	(26,014,132)	345,476,191
Loans to banks	52,754,579	(1,316)	52,753,263
Loans and advances to customers	1,609,431,650	-	1,609,431,650
Loans and advances to related parties	124,732	-	124,732
Impaired loans and advances to customers	429,169,336	-	429,169,336
	4,213,097,628	(160,673,230)	4,052,424,398

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 35).

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32. INTEREST EXPENSE

	2024	As adjusted 2023
	LBP'000	LBP'000
<u>Interest expense on:</u>		
Deposits and borrowings from banks and financial institutions	377,100,137	81,528,462
Customers' deposits at amortized cost	4,557,096,494	678,949,984
Related parties' deposits at amortized cost	464,027,603	106,975,820
Other borrowings	612,642,270	116,987,790
Finance cost (Note 15)	100,150,325	22,548,949
Shareholders' cash contribution to capital (Note 25)	71,004,363	11,795,862
	<u>6,182,021,192</u>	<u>1,018,786,867</u>

33. FEE AND COMMISSION INCOME

	2024	As adjusted 2023
	LBP'000	LBP'000
Commission on documentary credits	135,614,109	36,218,079
Commission on letters of guarantee	388,770,450	95,496,895
Service fees on customers' transactions	3,453,390,048	983,185,258
Commission on transactions with banks	61,176,453	17,505,660
Asset management fees	63,289,988	12,868,905
Other commission	57,310,931	17,067,383
	<u>4,159,551,979</u>	<u>1,162,342,180</u>

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

34. FEE AND COMMISSION EXPENSE

	2024	As adjusted 2023
	LBP'000	LBP'000
Commission on transactions with banks and financial institutions	234,093,828	48,859,048
Sundry	352,063,088	58,069,340
	<u>586,156,916</u>	<u>106,928,388</u>

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

35. NET GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024		
	Income	Withholding Tax	Net gain
	LBP'000	LBP'000	LBP'000
Interest income	65,950,135	(5,306,237)	60,643,898
Dividends income	2,209,197	-	2,209,197
Net unrealized gain	8,972,976,296	-	8,972,976,296
Net realized gain	(7,065,843,619)	-	(7,065,843,619)
	<u>1,975,292,009</u>	<u>(5,306,237)</u>	<u>1,969,985,772</u>

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	As adjusted 2023		
	Income	Withholding Tax	Net gain
	LBP'000	LBP'000	LBP'000
Interest income	24,295,122	(2,176,170)	22,118,952
Dividends income	52,920	-	52,920
Net unrealized gain	82,492,878	-	82,492,878
Net realized gain	122,440,591	-	122,440,591
	229,281,511	(2,176,170)	227,105,341

36. OTHER OPERATING INCOME / (LOSS) - NET

	2024	As adjusted 2023
	LBP'000	LBP'000
Dividend income on investments at FVTOCI	8,966,357	1,770,358
Share of (loss) / income in associates	(229,432,162)	4,051,532
Foreign exchange gain / (loss)	5,443,360,653	(1,419,617,900)
Gain / (loss) on disposal of assets acquired in satisfaction of loans (Note 13)	58,500,700	(160,157,252)
Gain on disposal of property and equipment	124,796,372	(578,170)
Gain on sale of subsidiary	-	4,390,706
Other operating (loss) / gain – Net	(600,010,888)	1,256,343,727
	4,806,181,032	(313,796,999)

37. DEPRECIATION AND AMORTIZATION

	2024	As adjusted 2023
	LBP'000	LBP'000
Depreciation of fixed assets (Note 14.1)	1,180,874,804	476,968,608
Amortization of intangible assets (Note 14.2)	157,297,787	44,701,136
Depreciation of right-of-use assets (Note 15)	129,929,292	21,894,342
	1,468,101,883	543,564,086

38. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS

The guarantees and standby letters of credit and the documentary and commercial letters of credit represent financial instruments with contractual amounts representing credit risk. The guarantees and standby letters of credit represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties and are not different from loans and advances on the 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.

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39. 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 35.

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 LBP46.8billion (2023: LBP22.4billion).

40. CASH AND CASH EQUIVALENTS

	<u>December 31,</u>	
	<u>2024</u>	<u>As adjusted</u>
	<u>LBP'000</u>	<u>2023</u>
		<u>LBP'000</u>
Cash on hand	7,259,131,698	1,415,898,979
Current accounts with central banks (Less compulsory reserve)	231,840,028,232	44,254,697,895
Term placements with central banks	76,672,446,197	12,825,000,000
Checks in course of collection	16,770,262	188,767
Current accounts with banks and financial institutions	84,497,491,814	2,524,741,124
Term placements with banks and financial institutions	730,101,540,241	1,837,030,289
	<u>1,130,387,408,444</u>	<u>62,857,557,054</u>

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

41. COLLATERAL GIVEN

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

	<u>December 31, 2024</u>			
	<u>Redemption</u>	<u>Corresponding Facilities</u>		
	<u>value of</u>	<u>Nature of Facility</u>	<u>Amount of</u>	<u>Residual</u>
	<u>Pledged Assets</u>		<u>Facility</u>	
	<u>LBP'000</u>		<u>LBP'000</u>	
Certificates of deposits issued by the Central bank of Lebanon at amortized cost	471,621,324	Facilities from BDL	223,536,892	June 9, 2029
Lebanese Treasury Bills at amortized cost	329,015,730	Borrowings		
Lebanese Treasury Bills at fair value through profit or loss	41,000	Borrowings	445,077,501	1 year
Certificates of deposit at amortized cost	127,608,026	Borrowings	5,904,237	2 years
	<u>928,286,080</u>		<u>674,518,630</u>	

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	As adjusted December 31, 2023			
	Redemption value of Pledged Assets LBP'000	Corresponding Facilities		
		Nature of Facility	Amount of Facility LBP'000	Residual Maturity Date
Certificates of deposits issued by the Central bank of Lebanon at amortized cost	79,042,680	Facilities from BDL	73,006,657	June 9, 2029
Lebanese Treasury Bills at amortized cost	356,730	Borrowings	258,584,253	2 years
Certificates of deposit at amortized cost	21,386,820	Borrowings	5,904,237	3 years
	<u>100,786,230</u>		<u>337,495,147</u>	

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42. 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:

42.1. Distribution of assets and liabilities by geographical location

	December 31, 2024			
	Lebanon LBP'000	France LBP'000	Algeria LBP'000	Total LBP'000
<u>ASSETS</u>				
Cash and Banks	564,923,818,264	26,568,194,783	19,893,085,854	611,385,098,901
Loans to banks	171,517,723	-	29,087,500	200,605,223
Loans and advances to customers	20,204,054,217	46,273,706,303	79,702,868,868	146,180,629,388
Investment securities	67,148,889,498	22,687,403	2,078,352,733	69,249,929,634
Customers' liability under acceptances	-	1,107,757,849	743,823,463	1,851,581,312
Investments in associates	419,783,252	-	-	419,783,252
Goodwill	48,182,949	-	-	48,182,949
Tangible and intangible assets	29,113,695,195	585,536,595	10,364,525,114	40,063,756,904
Other assets	955,356,962	318,556,892	1,071,443,116	2,345,356,970
Total Assets	682,985,298,060	74,876,439,825	113,883,186,648	871,744,924,533
<u>LIABILITIES</u>				
Deposits and borrowings from banks	6,272,801,663	409,510,094	75,486,719	6,757,798,476
Customers' accounts at amortized cost	613,022,867,064	63,429,171,642	92,005,447,956	768,457,486,662
Customers' acceptance liability	-	1,107,757,849	743,823,463	1,851,581,312
Other borrowings	9,851,125,623	-	-	9,851,125,623
Other liabilities and provisions	11,847,573,575	1,520,721,905	5,430,740,130	18,799,035,610
Total Liabilities	640,994,367,925	66,467,161,490	98,255,498,268	805,717,027,683

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	As adjusted December 31, 2023			
	Lebanon LBP'000	France LBP'000	Algeria LBP'000	Total LBP'000
<u>ASSETS</u>				
Cash and Banks	96,047,462,923	3,849,441,764	3,747,557,949	103,644,462,636
Loans to banks	12,714,925	-	20,906,062	33,620,987
Loans and advances to customers	6,542,495,064	7,896,418,460	11,551,362,822	25,990,276,346
Investment securities	15,534,371,063	3,903,592	126,932,977	15,665,207,632
Customers' liability under acceptances	-	290,120,469	70,416,471	360,536,940
Investments in associates	75,952,040	-	-	75,952,040
Goodwill	48,182,949	-	-	48,182,949
Tangible and intangible assets	29,482,238,469	70,484,219	1,477,082,370	31,029,805,058
Other assets	855,972,436	14,143,007	132,852,962	1,002,968,405
Total Assets	148,599,389,869	12,124,511,511	17,127,111,613	177,851,012,993
<u>LIABILITIES</u>				
Deposits and borrowings from banks	1,149,461,364	25,344,664	6,926,972	1,181,733,000
Customers' accounts at amortized cost	111,829,071,079	10,166,584,205	13,722,871,743	135,718,527,027
Customers' acceptance liability	-	290,120,469	70,416,471	360,536,940
Other borrowings	2,235,886,784	-	-	2,235,886,784
Other liabilities and provisions	2,051,500,759	273,435,941	857,535,882	3,182,472,582
Total Liabilities	117,265,919,986	10,755,485,279	14,657,751,068	142,679,156,333

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42.2. Distribution of statement of profit or loss by geographical location

	Year Ended December 31, 2024			
	Lebanon LBP'000	France LBP'000	Algeria LBP'000	Total LBP'000
Net interest income	4,794,259,497	2,327,416,229	4,754,992,483	11,876,668,209
Net fee and commission income	2,273,618,763	232,091,790	1,067,684,510	3,573,395,063
Investments at fair value through profit or loss	1,969,985,772	-	-	1,969,985,772
Net gain on financial assets measured at amortized cost	119,840,500	-	-	119,840,500
Loss on derecognition of financial assets measured at fair value through other comprehensive income	318,012,344	-	-	318,012,344
Other operating income	5,402,019,123	(789,605,220)	193,767,129	4,806,181,032
Impairment of financial assets	(9,387,426,738)	(151,396,894)	(998,652,971)	(10,537,476,603)
Other expense	(6,294,498,271)	(809,244,354)	(2,221,618,445)	(9,325,361,070)
Income tax expense	(8,096,113)	(439,021,036)	(702,799,979)	(1,149,917,128)
Deferred tax on investees undistributed profits	(66,086,602)	(113,918,441)	(289,140,148)	(469,145,191)
	(878,371,725)	256,322,074	1,804,232,579	1,182,182,928

	As adjusted Year Ended December 31, 2023			
	Lebanon LBP'000	France LBP'000	Algeria LBP'000	Total LBP'000
Net interest income	2,137,479,246	354,468,656	541,689,629	3,033,637,531
Net fee and commission income	887,465,062	40,439,862	127,508,868	1,055,413,792
Investments at fair value through profit or loss	227,105,341	-	-	227,105,341
Other operating income	(126,861,033)	(137,874,298)	(49,061,668)	(313,796,999)
Impairment of financial assets	(441,451,671)	(50,206,635)	(116,281,107)	(607,939,413)
Other expense	(2,941,616,236)	(104,996,755)	(270,475,565)	(3,317,088,556)
Income tax expense	(1,347,854)	(62,500,957)	(77,766,725)	(141,615,536)
Deferred tax on investees undistributed profits	(951,498)	(16,679,459)	(31,262,864)	(48,893,821)
	(260,178,643)	22,650,414	124,350,568	(113,177,661)

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43. 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.

43.1. 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 revolves around the following:

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

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- 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” at inception 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:

- “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.
- “Follow-up” represents a lack of documentation related to a borrower’s activity, an inconsistency between facilities’ type and related conditions.
- “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.
- “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.

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- 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.

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 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

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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 8.

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

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.

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a) Maximum exposure to credit risk

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

	December 31, 2024		
	Carrying		Net Carrying
	Amount	ECL	Amount
	LBP'000	LBP'000	LBP'000
Deposits with central banks	578,322,601,285	(9,588,747,112)	568,733,854,173
Deposits with banks and financial institutions	34,046,733,969	(202,029,757)	33,844,704,212
Loans to banks	2,422,750,184	(2,222,144,961)	200,605,223
Loans and advances to customers	177,290,206,395	(31,109,577,007)	146,180,629,388
Investment securities	108,018,962,460	(59,289,893,152)	48,729,069,308
Customers' liability under acceptances	1,851,581,312	-	1,851,581,312
Other assets	25,955,769	(24,944,497)	1,011,272
	901,978,791,374	(102,437,336,486)	799,541,454,888
Off balance sheet commitments	11,573,826,573	(437,806,879)	11,136,019,694

	As adjusted		
	December 31, 2023		
	Carrying		Net Carrying
	Amount	ECL	Amount
	LBP'000	LBP'000	LBP'000
Deposits with central banks	97,778,136,932	(1,618,574,094)	96,159,562,838
Deposits with banks and financial institutions	6,107,368,749	(38,367,929)	6,069,000,820
Loans to banks	406,646,052	(373,025,065)	33,620,987
Loans and advances to customers	30,496,984,935	(4,506,708,589)	25,990,276,346
Investment securities	25,691,442,558	(12,391,785,310)	13,299,657,248
Customers' liability under acceptances	360,536,940	-	360,536,940
Other assets	357,091,194	(4,840,466)	352,250,728
	161,198,207,360	(18,933,301,453)	142,264,905,907
Off balance sheet commitments	1,792,163,225	(155,399,661)	1,636,763,564

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The movement of allowance for expected credit losses during 2024 and 2023 is summarized as follows:

	Opening Balance January 1, 2024 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, 2024 LBP'000
Cash and Central Banks	1,618,574,094	(40,129,054)	-	-	7,979,756,251	-	30,545,821	9,588,747,112
Deposits with banks and financial institutions and loans to banks	411,392,994	(23,889,238)	-	-	2,023,205,413	-	13,465,549	2,424,174,718
Loans and advances to customers	4,506,708,589	4,915,752,019	(2,674,878)	-	21,336,351,303	-	353,439,974	31,109,577,007
Investment securities	12,391,785,310	5,501,134,634	(8,843,131,958)	-	50,240,105,166	-	-	59,289,893,152
Financial Guarantees	155,399,661	(87,648,189)	-	-	370,055,407	-	-	437,806,879
Other assets	4,840,466	-	-	-	20,104,031	-	-	24,944,497
	19,088,701,114	10,265,220,172	(8,845,806,836)	-	81,969,577,571	-	397,451,344	102,875,143,365

	Opening Balance January 1, 2023 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, 2023 LBP'000
Cash and Central Banks	145,535,392	161,408,447	2,597,617	-	1,302,882,473	-	6,150,165	1,618,574,094
Deposits with banks and financial institutions and loans to banks	47,062,060	(31,283,122)	-	-	393,332,241	-	2,281,815	411,392,994
Loans and advances to customers	626,692,164	(526,737,142)	(72,535,649)	-	4,420,053,466	-	59,235,750	4,506,708,589
Investment securities	1,142,527,626	991,669,551	144,006,962	-	10,113,581,171	-	-	12,391,785,310
Customers' liability under acceptances	-	-	-	-	-	-	-	-
Financial Guarantees	15,269,388	8,581,814	-	-	131,548,459	-	-	155,399,661
Other assets	1,199,477	-	-	-	3,640,989	-	-	4,840,466
	1,978,286,107	603,639,548	74,068,930	-	16,365,038,799	-	67,667,730	19,088,701,114

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b) Exposures subject to ECL

	December 31, 2024			
	Stage 1	Stage 2	Stage 3	Total
	LBP'000	LBP'000	LBP'000	LBP'000
<u>Gross exposures</u>				
Deposits with central banks	578,322,601,285	-	-	578,322,601,285
Deposits with banks and financial institutions	34,046,733,969	-	-	34,046,733,969
Loans to banks	-	-	2,422,750,184	2,422,750,184
Loans and advances to customers	76,188,893,868	54,030,117,946	47,071,194,581	177,290,206,395
Investment securities	18,276,678,190	-	89,742,284,270	108,018,962,460
Customers' liability under acceptances	1,851,581,312	-	-	1,851,581,312
Other Assets	25,955,769	-	-	25,955,769
	708,712,444,393	54,030,117,946	139,236,229,035	901,978,791,374
Off balance sheet commitments	11,233,600,286	335,329,350	4,896,937	11,573,826,573
<u>Expected credit losses</u>				
Deposits with central banks	(9,588,747,112)	-	-	(9,588,747,112)
Deposits with banks and financial institutions	(202,029,757)	-	-	(202,029,757)
Loans to banks	-	-	(2,222,144,961)	(2,222,144,961)
Loans and advances to customers	(369,845,341)	(767,088,857)	(29,972,642,809)	(31,109,577,007)
Investment securities	(408,777,690)	-	(58,881,115,462)	(59,289,893,152)
Other Assets	(24,944,497)	-	-	(24,944,497)
	(10,594,344,397)	(767,088,857)	(91,075,903,232)	(102,437,336,486)
Off balance sheet commitments	(361,549,308)	(76,012,724)	(244,847)	(437,806,879)
<u>Net exposures</u>				
Deposits with central banks	568,733,854,173	-	-	568,733,854,173
Deposits with banks and financial institutions	33,844,704,212	-	-	33,844,704,212
Loans to banks	-	-	200,605,223	200,605,223
Loans and advances to customers	75,819,048,527	53,263,029,089	17,098,551,772	146,180,629,388
Investment securities	17,867,900,499	-	30,861,168,808	48,729,069,307
Customers' liability under acceptances	1,851,581,312	-	-	1,851,581,312
Other Assets	1,011,272	-	-	1,011,272
	698,118,099,995	53,263,029,089	48,160,325,803	799,541,454,887
Off balance sheet commitments	10,872,050,978	259,316,626	4,652,090	11,136,019,694

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	As adjusted December 31, 2023			
	Stage 1 LBP'000	Stage 2 LBP'000	Stage 3 LBP'000	Total LBP'000
<u>Gross exposures</u>				
Deposits with central banks	77,785,726,647	19,992,410,285	-	97,778,136,932
Deposits with banks and financial institutions	6,107,322,668	-	-	6,107,322,668
Loans to banks	-	-	406,646,052	406,646,052
Loans and advances to customers	14,623,211,119	7,404,663,575	8,469,110,241	30,496,984,935
Investment securities	6,830,141,495	-	18,861,301,063	25,691,442,558
Customers' liability under acceptances	360,536,940	-	-	360,536,940
Other Assets	357,091,194	-	-	357,091,194
	106,064,030,063	27,397,073,860	27,737,057,356	161,198,161,279
Off balance sheet commitments	1,724,493,796	67,668,429	1,000	1,792,163,225
<u>Expected credit losses</u>				
Deposits with central banks	(1,452,263,653)	(166,310,441)	-	(1,618,574,094)
Deposits with banks and financial institutions	(38,367,929)	-	-	(38,367,929)
Loans to banks	-	-	(373,025,065)	(373,025,065)
Loans and advances to customers	(139,203,557)	(234,598,116)	(4,132,906,916)	(4,506,708,589)
Investment securities	(69,173,019)	-	(12,322,612,291)	(12,391,785,310)
Other Assets	(4,840,466)	-	-	(4,840,466)
	(1,703,848,624)	(400,908,557)	(16,828,544,272)	(18,933,301,453)
Off balance sheet commitments	(142,373,083)	(13,025,578)	(1,000)	(155,399,661)
<u>Net exposures</u>				
Deposits with central banks	76,333,462,994	19,826,099,844	-	96,159,562,838
Deposits with banks and financial institutions	6,068,954,739	-	-	6,068,954,739
Loans to banks	-	-	33,620,987	33,620,987
Loans and advances to customers	14,484,007,562	7,170,065,459	4,336,203,325	25,990,276,346
Investment securities	5,073,802,600	-	8,225,854,648	13,299,657,248
Customers' liability under acceptances	360,536,940	-	-	360,536,940
Other Assets	352,250,728	-	-	352,250,728
	102,673,015,563	26,996,165,303	12,595,678,960	142,264,859,826
Off balance sheet commitments	1,582,120,713	54,642,851	-	1,636,763,564

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 is also set by the bank. Actual exposures against limits are monitored on a regular basis.

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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, 2024						
	Lebanon	Middle East and Africa	North America	Europe	Gulf	Other	Total
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
<u>Financial Assets</u>							
Cash and central Banks	545,643,048,972	565,907,521	-	16,692,821,890	-	14,638,616,306	577,540,394,689
Deposits with banks and financial institutions	(39,033,856)	5,562,088,446	9,227,905,452	12,849,528,639	1,045,068,878	5,199,146,653	33,844,704,212
Loans to banks and financial institutions	-	200,605,223	-	-	-	-	200,605,223
Loans and advances to customers	17,549,640,187	1,611,509,375	312,454,569	46,357,711,217	629,248,476	79,720,065,564	146,180,629,388
Investment securities	63,359,461,855	444,545,937	3,252,988,573	24,327,723	90,252,815	2,078,352,731	69,249,929,634
	626,513,117,158	8,384,656,502	12,793,348,594	75,924,389,469	1,764,570,169	101,636,181,254	827,016,263,146
<u>Financial Liabilities</u>							
Deposits and borrowings from banks	5,230,325,946	867,179,671	143,983,086	431,323,074	9,499,980	75,486,719	6,757,798,476
Customers' accounts at amortized cost	577,904,211,950	22,838,655,097	4,078,370,673	69,470,767,208	-	94,165,481,734	768,457,486,662
Other borrowings	9,291,294,520	-	323,244,080	236,587,023	-	-	9,851,125,623
	592,425,832,416	23,705,834,768	4,545,597,839	70,138,677,305	9,499,980	94,240,968,453	785,066,410,761

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	As adjusted December 31, 2023						
	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	92,987,557,160	49,362,415	-	1,796,521,200	-	2,742,021,041	97,575,461,816
Deposits with banks and financial institutions	21,004,862	846,895,600	1,220,079,357	2,824,163,317	176,262,534	980,595,150	6,069,000,820
Loans to banks and financial institutions	-	33,620,987	-	-	-	-	33,620,987
Loans and advances to customers	5,931,266,479	378,649,299	65,958,180	7,930,723,074	128,841,155	11,554,838,159	25,990,276,346
Investment securities	15,002,104,870	74,504,906	442,449,096	4,440,757	14,775,027	126,932,976	15,665,207,632
	113,941,933,371	1,383,033,207	1,728,486,633	12,555,848,348	319,878,716	15,404,387,326	145,333,567,601
Financial Liabilities							
Deposits and borrowings from banks	224,196,221	867,173,098	43,442,484	30,494,245	9,499,980	6,926,972	1,181,733,000
Customers' accounts at amortized cost	105,849,800,478	3,895,866,883	668,614,385	11,197,853,738	-	14,106,391,543	135,718,527,027
Other borrowings	1,676,055,681	-	323,244,080	236,587,023	-	-	2,235,886,784
	107,750,052,380	4,763,039,981	1,035,300,949	11,464,935,006	9,499,980	14,113,318,515	139,136,146,811

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.

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43.2. 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 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. The requirement was later amended through Intermediate Circular 645 to consider foreign currency deposits as at September 30, 2022 as the basis for the computation instead of July 31, 2020, thus lowering liquidity required levels as customers' deposits decreased over the period. The requirement was later amended through Intermediate Circular 707, dated September 20, 2024, to consider foreign currencies deposits as at July 31, 2024, instead of September 30, 2022. Banks are granted a time limit ending December 31, 2025, to adjust their situation accordingly.

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.

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	December 31, 2024					
	Up to 3 Months LBP'000	3 Months to 1 year		1 to 5 years LBP'000	Over 5 years LBP'000	Total LBP'000
		LBP'000	LBP'000			
<u>FINANCIAL LIABILITIES</u>						
Deposits from banks and financial institutions	6,939,810,000	(182,011,524)	-	-	6,757,798,476	
Customers' deposits at amortized cost	683,838,729,000	80,395,884,000	4,222,873,662	-	768,457,486,662	
Other borrowings	4,282,365,623	5,180,951,000	194,070,000	193,739,000	9,851,125,623	
	695,060,904,623	85,394,823,476	4,416,943,662	193,739,000	785,066,410,761	

	As adjusted December 31, 2023					
	Up to 3 Months LBP'000	3 Months to 1 year		1 to 5 years LBP'000	Over 5 years LBP'000	Total LBP'000
		LBP'000	LBP'000			
<u>FINANCIAL LIABILITIES</u>						
Deposits from banks and financial institutions	1,179,160,000	2,573,000	-	-	1,181,733,000	
Customers' deposits at amortized cost	120,539,469,027	14,415,818,000	758,159,000	5,081,000	135,718,527,027	
Other borrowings	709,701,784	1,017,183,000	376,509,000	132,493,000	2,235,886,784	
	122,428,330,811	15,435,574,000	1,134,668,000	137,574,000	139,136,146,811	

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43.3. 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, 2024				
	LBP LBP'000	USD LBP'000	EUR LBP'000	Other LBP'000	Total LBP'000
ASSETS					
Cash and Central Banks	3,811,102,155	519,013,472,621	39,903,141,261	14,812,678,652	577,540,394,689
Deposits with banks and financial institutions	27,096,808	11,435,332,156	12,933,414,225	9,448,861,023	33,844,704,212
Loans to banks	-	200,605,223	-	-	200,605,223
Investment securities at fair value through profit or loss	7,163,783	6,524,358,789	4,607,768,753	10,347,068	11,149,638,393
Investment securities at amortized cost	2,037,399,626	44,433,441,843	-	2,068,005,666	48,538,847,135
Investment securities at fair value through OCI	4,272,258,921	5,284,780,639	4,404,546	-	9,561,444,106
Loans and advances to customers	263,523,722	44,851,503,296	20,690,169,338	80,375,433,032	146,180,629,388
Customers' liability under acceptances	-	-	1,107,757,849	743,823,463	1,851,581,312
Investments in associates	101,659,669	318,123,583	-	-	419,783,252
Assets acquired in satisfaction of loans	7,115,713,464	3,097,266,415	-	-	10,212,979,879
Property and equipment	18,528,562,814	150,542,501	218,892,550	9,741,491,090	28,639,488,955
Intangible assets	182,816,275	-	131,387,271	60,899,616	375,103,162
Right in use assets	8,444,700	827,740,208	-	-	836,184,908
Good will	48,182,949	-	-	-	48,182,949
Other assets	428,893,294	912,132,479	544,637,430	459,693,767	2,345,356,970
Total Assets	36,832,818,180	637,049,299,753	80,141,573,223	117,721,233,377	871,744,924,533
LIABILITIES					
Deposits from banks and financial institutions	517,637,230	5,465,216,449	106,063,283	668,881,514	6,757,798,476
Customers' deposits at amortized cost	6,602,683,114	605,647,181,005	60,317,887,567	95,889,734,976	768,457,486,662
Liability under acceptances	-	-	1,107,757,849	743,823,463	1,851,581,312
Borrowings	933,987,001	8,917,138,622	-	-	9,851,125,623
Lease liabilities	109,559	1,177,200,300	-	-	1,177,309,859
Other liabilities	1,651,775,364	10,616,274,391	1,243,668,003	410,705,062	13,922,422,820
Provisions	1,999,002,359	934,736,529	170,833,691	594,730,352	3,699,302,931
Total Liabilities	11,705,194,627	632,757,747,296	62,946,210,393	98,307,875,367	805,717,027,683
Net exchange position	25,127,623,553	4,291,552,457	17,195,362,830	19,413,358,010	66,027,896,850

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	As adjusted December 31, 2023				
	LBP LBP'000	USD LBP'000	EUR LBP'000	Other LBP'000	Total LBP'000
ASSETS					
Cash and Central Banks	3,097,307,272	85,817,227,127	5,890,725,187	2,770,202,230	97,575,461,816
Deposits with banks and financial institutions	4,134,683	1,968,612,303	2,457,016,967	1,639,236,867	6,069,000,820
Loans to banks	-	33,620,987	-	-	33,620,987
Investment securities at fair value through profit or loss	6,784,813	717,792,916	823,650,898	1,755,600	1,549,984,227
Investment securities at amortized cost	2,230,819,174	10,858,966,756	-	125,177,377	13,214,963,307
Investment securities at fair value through OCI	106,287,947	793,434,986	537,165	-	900,260,098
Loans and advances to customers	545,604,606	9,755,676,707	3,970,260,132	11,718,734,901	25,990,276,346
Customers' liability under acceptances	-	-	290,120,469	70,416,471	360,536,940
Investments in associates	28,953,715	46,998,325	-	-	75,952,040
Assets acquired in satisfaction of loans	7,225,367,032	3,107,300,738	-	-	10,332,667,770
Property and equipment	18,874,081,400	-	4,426,927	1,381,772,198	20,260,280,525
Intangible assets	236,098,764	-	16,666,734	12,455,270	265,220,768
Right in use assets	7,837,025	163,798,970	-	-	171,635,995
Good will	48,182,949	-	-	-	48,182,949
Other assets	588,900,398	158,638,053	60,258,683	195,171,271	1,002,968,405
Total Assets	33,000,359,778	113,422,067,868	13,513,663,162	17,914,922,185	177,851,012,993
LIABILITIES					
Deposits from banks and financial institutions	125,260,740	119,532,630	926,637,653	10,301,977	1,181,733,000
Customers' deposits at amortized cost	4,928,429,192	106,116,752,836	10,276,220,841	14,397,124,158	135,718,527,027
Liability under acceptances	-	-	290,120,469	70,416,471	360,536,940
Borrowings	812,706,230	1,423,180,554	-	-	2,235,886,784
Lease liabilities	121,817	269,535,028	-	-	269,656,845
Other liabilities	321,556,205	1,001,064,262	163,030,980	133,823,547	1,619,474,994
Provisions	1,039,064,521	150,672,251	25,667,701	77,936,270	1,293,340,743
Total Liabilities	7,227,138,705	109,080,737,561	11,681,677,644	14,689,602,423	142,679,156,333
Net exchange position	25,773,221,073	4,341,330,307	1,831,985,518	3,225,319,762	35,171,856,660

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 exchange rates published by the Central Bank of Lebanon which does not always represent a reasonable estimate of cash flows in Lebanese Pounds that would have to be generated/used from the realisation of such assets and the payment of such liabilities.

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:

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	December 31, 2024				
	LBP LBP'000	Onshore Foreign Currencies		Offshore Foreign Currencies	Total LBP'000
				LBP'000	
		LBP'000	LBP'000	LBP'000	
Cash and deposits with central banks	3,811,102,155	536,268,703,828	37,460,588,706	577,540,394,689	
Deposits with banks and financial institutions	27,096,808	55,602,176	33,762,005,228	33,844,704,212	
Loans to banks	-	-	200,605,223	200,605,223	
Investment securities	6,316,822,330	57,042,639,520	5,890,467,784	69,249,929,634	
Loans and advances to customers	263,523,722	18,634,578,351	127,282,527,315	146,180,629,388	
Customers' liability under acceptances	-	-	1,851,581,312	1,851,581,312	
Investments in associates	101,659,669	-	318,123,583	419,783,252	
Assets acquired in satisfaction of loans	7,115,713,464	3,097,266,415	-	10,212,979,879	
Property and equipment	18,528,562,814	-	10,110,926,141	28,639,488,955	
Intangible assets	182,816,275	-	192,286,887	375,103,162	
Right in use assets	8,444,700	-	827,740,208	836,184,908	
Good will	48,182,949	-	-	48,182,949	
Other assets	428,893,294	485,149,852	1,431,313,824	2,345,356,970	
	36,832,818,180	615,583,940,142	219,328,166,211	871,744,924,533	
Deposits from banks and financial institutions	517,637,230	112,438,608	6,127,722,638	6,757,798,476	
Customers' deposits at amortized cost	6,602,683,114	492,546,628,061	269,308,175,487	768,457,486,662	
Liability under acceptances	-	-	1,851,581,312	1,851,581,312	
Borrowings	933,987,001	4,796,645,096	4,120,493,526	9,851,125,623	
Lease liabilities	109,559	120,845,605	1,056,354,695	1,177,309,859	
Other liabilities	1,651,775,364	6,871,456,418	5,399,191,038	13,922,422,820	
Provisions	1,999,002,359	999,896,534	700,404,038	3,699,302,931	
	11,705,194,627	505,447,910,322	288,563,922,734	805,717,027,683	

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	As adjusted December 31, 2023			
	LBP LBP'000	Onshore Foreign Currencies LBP'000	Offshore Foreign Currencies LBP'000	Total LBP'000
Cash and deposits with central banks	3,097,307,272	89,061,727,243	5,416,427,301	97,575,461,816
Deposits with banks and financial institutions	4,134,683	8,705,378	6,056,160,759	6,069,000,820
Loans to banks	-	-	33,620,987	33,620,987
Investment securities	2,343,891,934	12,658,212,936	663,102,762	15,665,207,632
Loans and advances to customers	545,604,606	5,568,501,796	19,876,169,944	25,990,276,346
Customers' liability under acceptances	-	-	360,536,940	360,536,940
Investments in associates	28,953,715	-	46,998,325	75,952,040
Assets acquired in satisfaction of loans	7,225,367,032	3,107,300,738	-	10,332,667,770
Property and equipment	18,874,081,400	1,049,974	1,385,149,151	20,260,280,525
Intangible assets	236,098,764	-	29,122,004	265,220,768
Right in use assets	7,837,025	-	163,798,970	171,635,995
Good will	48,182,949	-	-	48,182,949
Other assets	588,900,398	149,378,369	264,689,638	1,002,968,405
	33,000,359,778	110,554,876,434	34,295,776,781	177,851,012,993
Deposits from banks and financial institutions	125,260,740	22,355,041	1,034,117,219	1,181,733,000
Customers' deposits at amortized cost	4,928,429,192	87,802,952,249	42,987,145,586	135,718,527,027
Liability under acceptances	-	-	360,536,940	360,536,940
Borrowings	812,706,230	788,376,000	634,804,554	2,235,886,784
Lease liabilities	121,817	70,608,668	198,926,360	269,656,845
Other liabilities	321,556,205	308,891,615	989,027,174	1,619,474,994
Provisions	1,039,064,521	157,315,947	96,960,275	1,293,340,743
	7,227,138,705	89,150,499,520	46,301,518,108	142,679,156,333

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, 2024				
	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	367,507,423,000	40,268,618,689	153,555,654,000	16,208,699,000	577,540,394,689
Deposits with banks and financial institutions	29,220,279,000	4,218,239,212	406,186,000	-	33,844,704,212
Loans to banks	(5,109,282,000)	5,309,887,223	-	-	200,605,223
Investment securities	31,772,408,000	10,240,236,000	15,266,141,000	11,971,144,634	69,249,929,634
Loans and advances to customers	15,222,511,000	103,973,689,000	23,148,914,000	3,835,515,388	146,180,629,388
	438,613,339,000	164,010,670,124	192,376,895,000	32,015,359,022	827,016,263,146
FINANCIAL LIABILITIES					
Deposits and borrowings from banks	96,528,000	6,661,270,476	-	-	6,757,798,476
Customers' accounts at amortized cost	394,124,309,000	370,196,759,662	4,136,418,000	-	768,457,486,662
Other borrowings	258,040,000	7,404,445,623	2,188,640,000	-	9,851,125,623
	394,478,877,000	384,262,475,761	6,325,058,000	-	785,066,410,761

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	As adjusted				
	December 31, 2023				
	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
<u>FINANCIAL ASSETS</u>					
Cash and central banks	58,503,802,816	5,207,585,000	20,553,361,000	13,310,713,000	97,575,461,816
Deposits with banks and financial institutions	2,683,724,820	3,300,712,000	84,564,000	-	6,069,000,820
Loans to banks	33,620,987	-	-	-	33,620,987
Investment securities	8,917,787,458	2,382,437,000	2,854,244,174	1,510,739,000	15,665,207,632
Loans and advances to customers	4,450,058,346	16,476,410,000	3,981,234,000	1,082,574,000	25,990,276,346
	74,588,994,427	27,367,144,000	27,473,403,174	15,904,026,000	145,333,567,601
<u>FINANCIAL LIABILITIES</u>					
Deposits and borrowings from banks	832,303,000	349,430,000	-	-	1,181,733,000
Customers' accounts at amortized cost	67,528,424,027	67,432,473,000	752,605,000	5,025,000	135,718,527,027
Other borrowings	29,000,610	505,655,000	1,701,231,174	-	2,235,886,784
	68,389,727,637	68,287,558,000	2,453,836,174	5,025,000	139,136,146,811

43.4. 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.

43.5. 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

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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.

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 the Group's activities, operating results and position.

44. 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.

During 2023, 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.

45. 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 2022. Regulatory ECL for other exposures remain unchanged.

<i>Type of financial instrument</i>	2024	2023
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%	75 %
Lebanese government securities in Lebanese Lira	0%	0 %

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- 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.
- Prohibiting Lebanese banks from distributing dividends on common shares for the financial years 2019, 2020, 2021 and 2022 (year 2023 was subsequently added by way of Intermediate Circular 693). Banks must maintain a capital conservation buffer of 2.5%, comprised of Common Equity Tier 1. However, exceptionally, as per the Intermediate Circular 693, the buffer may be drawn down during 2023 and 2024, but must be rebuilt progressively at a later stage and as per BDL' instruction.
- Exceptionally for the years 2020 and 2021, Allowances for Expected Credit Losses on Stage 1 and 2 exposures, excluding those relating to Lebanese sovereign and the Central Bank of Lebanon, may be included under regulatory Common Equity Tier 1. This treatment will be amortized over a period of 3 years (2022-2024 by 25% yearly).
- Exceptionally for 2022 and 2023, allowing banks to include under CET 1 part of the losses resulting from the purchase of local dollars from the Central Bank of Lebanon against Lebanese Pound for the purpose of reducing open net FX short positions prior to 17 November 2022. In 2022, 66% of these losses can be included under CET 1, while in 2023, a maximum of 33% level applies.
- Allowing banks to include the revaluation surplus of property and equipment in Tier I capital, subject to BDL approval on the revaluation. 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. On 28 December 2023, the Intermediate Circular 685 permitted the inclusion of 75% of the revaluation surplus of fixed assets in the calculation of Tier I capital, while allowing the use of the BDL platform rate as at 30.06.2023 and at the end of each reporting period over 5 years.
- In October 2020, BCC issued a memo 15/2020 requesting 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%	4.50%	4.50%
Net Tier 1 / risk-weighted assets	6.00%	6.00%	6.75%	6.00%	6.00%
Total capital / risk-weighted assets	8.00%	8.00%	8.75%	8.00%	8.00%
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.

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The Group's capital adequacy ratio was as follows:

	December 31,	
	2024	As adjusted 2023
	LBP Million	LBP Million
Common Equity Tier I	28,613,406	4,164,199
Additional Tier I capital	1,544,471	813,893
Tier II capital	10,368,693	382,023
Total regulatory capital	40,526,570	5,360,115
Credit risk	737,546,567	170,273,513
Market risk	45,641,636	6,989,750
Operational risk	45,452,747	8,908,106
Risk-weighted assets and risk-weighted off-balance sheet items	828,640,950	186,171,369
Common Equity Tier I ratio	3.45%	2.24%
Tier I capital ratio	3.64%	2.67%
Risk based capital ratio - Tier I and Tier II capital	4.89%	2.88%

The Group's capital adequacy ratio as at December 31, 2023 and 2022, 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.

46. 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.

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- 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*.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Group's Board of Directors in its meeting held on May 15, 2025.