إن المصرف ملزم بتطبيق تعاميم مصرف لبنان بموجب القانون النقد والتسليف لا سيما المادة ٢٠٨ منه. لذا تقيّد المصرف بإحتساب الخسائر الإئتمانية المتوقّعة وفق النسب المحددة في الملحق رقم ٦ لتعميم مصرف لبنان رقم ٤٤ كما تمّ تعديله بالتعميم الوسيط رقم ٥٤٣ الصادر عن مصرف لبنان بتاريخ ٣ شباط ٢٠٢٠، مع ضرورة الإشارة إلى تفاقم الأوضاع الإقتصادية والمالية في الأسواق وإستمرار حالة عدم التوافق على خطة إنقاذية للنهوض المالي والإقتصادي، ما يؤدّي إلى صعوبة في تقدير حجم التأثيرات السلبية للأزمة الراهنة على البيانات المالية وذلك بحسب المعايير المحاسبية الدولية المعتمدة.

نشرت البيانات المالية عملاً بمتطلبات تعاميم مصرف لبنان ولجنة الرقابة على المصارف. لا يمكن أخذ هذه الأرقام أساساً لأي قرار يتعلق بالمصرف. ويجب قراءتها بالتزامن مع البيانات المالية الكاملة والإيضاحات العائدة لها المنشورة على الموقع الإلكتروني للمصرف. كما أن البيانات المالية المشار إليها أعلاه لا تتضمن التعديلات التي قد تنتج عن قرارت مصرف لبنان تبعاً لأحكام القانون رقم ٣٣٠ تاريخ ٤ كانون الأول ٢٠٢٤.

إنّ النتائج الصافية المصرّح عنها في بيان الأرباح والخسائر هي نتائج إيجابية بمعظمها غير محققة عائدة لفروقات القطع جرّاء تحويل (FX translation) الموجودات والمطلوبات النقدية بالعملات الأجنبية (Foreign Currency Monetary Assets & Liabilities) إلى الليرة اللبنانية، لحسابات المصارف والوحدات التابعة في لبنان، على سعر الصرف المعتمد للتعامل مع المصارف بتاريخ إعداد البيانات المالية وذلك تطبيقاً للتعميم رقم ٣٠٠ الصادر عن لجنة الرقابة على المصارف بتاريخ ٢٧ تشرين الثاني ٢٠٢٣.

بنك لبنان والمهجر ش.م.ل. – س.ت.ب :٢٤٦٤ – لائحة المصارف رقم: ١٤– رأس المال: ٣٢٢،٥ مليار ل.ل. مدفوع بكامله
ص.ب.: ١٩١٢-١١ رياض الصلح – بيروت ١١٠٧٢٨٠٧، لبنان - هاتف: ٧٢٨٩٣٨ – ٧٤٣٢٠٠ (١-٩٦١) فاكس: ٧٢٨٩٤٦ (١-٩٦١) - E-mail: blommail@blom.com.lb
الرقم الضريبي: ٣٢٤٣

BLOM BANK SAL

SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2024

EY
Building a better working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BLOM BANK SAL

Adverse Opinion

We have audited the separate financial statements of Blom Bank SAL (the "Bank"), which comprise the separate statement of financial position as at 31 December 2024, and the separate income statement, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including material accounting policy information.

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

Basis for Adverse Opinion

1. As disclosed in Note 2.1 to the separate financial statements, the Bank did not apply the requirements of IAS 29 – Financial Reporting in Hyperinflationary Economies ("IAS 29") in the separate financial statements from and for the years from which the Republic of Lebanon has been designated as a hyperinflationary economy, nor did subsidiaries whose functional currencies are hyperinflationary accounted for using the equity method, nor did the Bank consider its effects on forecasts and discount rates used in accounting estimates. In addition, as disclosed in Note 20, during 2024, one of the Bank's subsidiaries determined the carrying amount of land and buildings in Lebanon based on a valuation performed by an accredited external independent valuer in US Dollars and then translated it to Lebanese Pounds at the Sayrafa rate of LBP 89,500 for the US Dollar as at 31 December 2024. The gain from revaluation amounting to LL 1,250 billion was recognized in other comprehensive income for the year ended 31 December 2024. In accordance with IAS 29, the historical cost should be restated from the date of acquisition by applying the general price index, and then compared to the appraised amount with the difference treated as required by IAS 16 – Property, Plant and Equipment ("IAS 16"); and subsequently, the appraised carrying amount should be restated from the date of the appraisal by applying the general price index. In addition, due to the lack of information and visibility on the impact of the current macroeconomic crisis in Lebanon, we were unable to conclude on the adequacy of the appraised amount. Had the Bank applied the requirements of IAS 29 and considered its effects on accounting estimates, many elements and disclosures in the separate financial statements, including comparative financial information, would have been materially different. The effects on the separate financial statements from this departure have not been determined. Our opinion for the year ended 31 December 2023 was modified for same reasons.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF BLOM BANK SAL (continued)

Basis for Adverse Opinion (continued)

2. As disclosed in Note 1 to the separate financial statements, the Bank had used the official published exchange rates for the translation of its monetary assets and liabilities denominated in foreign currencies and all transactions in foreign currencies during 2021, 2022 and 2023, instead of using the rates at which the future cash flows could have been settled as required by IAS 21 – The Effects of Change in Foreign Exchange Rates, when several exchange rates are available. This caused us to qualify our opinion on the financial statements relating to those years, as other exchange rates through legal exchange mechanisms were available, depending on the source and nature of the operation or balance, and which should have been used by the Bank to comply with the requirements of IAS 21. As disclosed in Note 1 to the separate financial statements, from January 2024, the official published exchange rate was set at LL 89,500 to the US Dollar which converged with the rates of the legal exchange mechanism for the exchange of foreign currencies not subject to de-facto capital controls throughout the period and up to date. With respect to foreign currencies subject to de-facto capital controls, we were unable to conclude whether this exchange rate is that at which the future cash flows could have been settled if those cash flows had occurred at the measurement date. In addition, the Bank recorded the impact of the change in exchange rates used, in the separate statement of income statement for the year ended 31 December 2024 under "Net gain from financial assets at fair value through profit or loss" and in the separate statement of comprehensive income for the year ended 31 December 2024 under "Share of other comprehensive income of subsidiaries under equity method, net of tax" and "Exchange differences on translation of foreign operations – branches". The Bank did not restate comparative amounts which is a departure from IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8"). Furthermore, the Bank carries provisions for risks and charges amounting to LL 10,803 billion as at 31 December 2024, recorded against the loss to be incurred from the sale of foreign currencies subject to defacto capital control that occurred subsequent to year end. As we were unable to satisfy ourselves on the appropriate exchange rate to be used on foreign currencies subject to de-facto capital controls, we were unable to determine whether any adjustments were necessary to many accounts and disclosures in the separate financial statements. Also, had the Bank applied the requirements of IAS 21 and used the rate at which the future cashflows could have been settled during 2021, 2022 and 2023, had the Bank recognized loss on exchange on sale of foreign currencies at the occurrence date, and had the Bank applied the requirements of IAS 8, many accounts and disclosures in the separate financial statements, including comparative financial information, would have been materially different. The effects on the separate financial statements from the departure of IAS 21 and IAS 8 have not been determined.

3. As at 31 December 2024, the Bank holds balances with the Central Bank of Lebanon amounting to LL 1,132,674 billion (2023: LL 193,694 billion), Certificate of deposits under financial assets at amortized cost totaling LL 34,048 billion (2023: LL 11,284 billion), a portfolio of loans amounting to LL 2,269 billion (2023: LL 441 billion) and other balances with banks and other assets amounting to LL 351 billion (2023: LL 511 billion), concentrated in Lebanon which represent 84% of the Bank's total assets as at 31 December 2024 (2023: 86%).

   As disclosed in Note 1, the separate financial statements do not include adjustments required by IFRS 9 – Financial Instruments to the carrying amounts of the above assets and to many related accounts and disclosures that would result from resolution of the uncertainties described in Note 1.

   Furthermore, the Bank has engaged in several transactions involving modification of contractual cash flows, renegotiations, exchanges and extinguishment of financial assets and financial liabilities. The Bank has not applied the requirements of IFRS 9 and assessed whether these transactions should be accounted for as modifications resulting in derecognition or no derecognition, nor is the Bank calculating and accounting for the impact of such modifications, which constitutes a departure from the requirements of IFRS 9. The effects of these departures on the carrying amount of these financial instruments and related income statement accounts have not been determined. Our opinion for the year ended 31 December 2023 was modified for same reasons above.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF BLOM BANK SAL (continued)

Basis for Adverse Opinion (continued)

Also, as disclosed in Note 38, management did not produce the information about the fair value of these assets and other financial instruments concentrated in Lebanon and these separate financial statements consequently do not include the fair value disclosures required by IFRS 13 – Fair Value Measurement.

Had such adjustments and disclosures been determined and made, many elements and related disclosures in the accompanying separate financial statements for the years ended 31 December 2024 and 31 December 2023 would have been materially different. The effects of the resolution of these uncertainties on the separate financial statements and disclosures have not been determined. Our opinion for the year ended 31 December 2023 was modified for same reasons explained above.

In addition, the Bank holds equity instruments and funds in entities operating in Lebanon amounting to LL 8,901 billion and LL 1,480 billion respectively as at 31 December 2024, held at fair value through profit or loss (2023: LL 163 billion and LL 331 billion respectively). The fair value of these instruments is measured based on a mix of observable and unobservable data holding a high level of uncertainty due to lack of reliable market evidence in light of the uncertainties described in Note 1. As such, it is not possible to determine the future effects that the economic crisis described in Note 1 would have on the carrying amounts of these assets. Consequently, we were unable to determine whether any adjustments should have been recorded on these amounts. Our opinion for the year ended 31 December 2023 was modified for same reasons.

4. As at 31 December 2024, provision for retirement benefits obligation of employees is carried in the separate statement of financial position at LL 2,636 billion (2023: LL 985 billion). The Bank did not estimate the provision for retirement benefits obligations in accordance with IAS 19 - Employee Benefits. Consequently, we were unable to determine whether any adjustments to these amounts, and related income statements accounts were necessary. Our opinion for the year ended 31 December 2023 was also modified for the same reasons.

5. As disclosed in Note 1 to the separate financial statements, law 330 was enacted on 4 December 2024 and its application decisions were issued by the Ministry of Finance in Lebanon on 12 March 2025. Because of the late issuance of the application decisions, management was unable to finalize its assessment and is still assessing the tax impacts of the full application of law 330 at the date of our audit report. Consequently, we were unable to determine whether any adjustments to the separate financial statements as at 31 December 2024 and for the year then ended were necessary.

6. The events and 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 paragraphs 1, 2 and 3 above affect the financial position, liquidity, solvency and profitability of the Bank, and expose the Bank to increased litigation and regulatory risks. Significant uncertainty exists in relation to the outcome of the litigations, claims and investigations raised against the Bank and the negative impact that they may have on the Bank's liquidity as disclosed in Notes 1 and 47. These events and conditions may cast significant doubt on the Bank's ability to continue as a going concern. We were unable to obtain sufficient appropriate audit evidence about the Bank's ability to continue as a going concern. Our opinion for the year ended 31 December 2023 was modified for same reasons.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF BLOM BANK SAL (continued)

Basis for Adverse Opinion (continued)
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the separate financial statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Lebanon, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Emphasis of Matter
We draw attention to Note 7 to the separate financial statements, which describes that during 2024, the Bank used the multiplier factor in the sale of foreign currencies subject to de-facto capital controls to customers which breaches the Central Bank of Lebanon Basic Circular 159. These transactions were queried by the regulator, whereby the latter has instructed the Bank to discontinue entering into such transactions going forward. No penalties or sanctions were imposed on the Bank as a result of these transactions. We also draw attention to Note 1 to the separate financial statements which describes that the Lebanese crisis which was set off during the last quarter of 2019 has resulted in several practices and transactions for which there are no directly observable prices or a governing legal/regulatory framework. Our opinion is not further modified with respect to 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 separate financial statements for the year ended 31 December 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 Management and Those Charged with Governance for the Separate Financial Statements
Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

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

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

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF BLOM BANK SAL (continued)

Auditors' Responsibilities for the Audit of the Separate Financial Statements (continued)
As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank'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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate 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.

Ernst & Young

Ernst & Young

BDO, Semaan, Gholam & Co.

29 May 2025
Beirut, Lebanon

SEPARATE INCOME STATEMENT

For the year ended 31 December 2024

	Notes	***2024 LL million***	*2023 LL million*
Interest and similar income	4	**22,484,714**	7,651,309
Interest and similar expense	5	**(3,444,504)**	(701,866)
Net interest income		**19,040,210**	6,949,443
Fee and commission income		**6,843,913**	1,350,671
Fee and commission expense		**(1,377,912)**	(369,897)
Net fee and commission income	6	**5,466,001**	980,774
Net gain from financial assets at fair value through profit or loss	7	**19,915,727**	2,293,922
Share of profit of subsidiaries	20	**5,823,670**	1,034,008
Other operating income	8	**326,987**	27,882
Total operating income		**50,572,595**	11,286,029
Net recovery (impairment loss) on financial assets	9	**5,568,975**	(2,252,704)
Discounts on loans	18	**(249,453)**	(539,385)
Net operating income		**55,892,117**	8,493,940
Personnel expenses	10	**(6,433,603)**	(2,571,338)
Other operating expenses	11	**(3,579,244)**	(1,400,021)
Depreciation of property, equipment and right-of-use assets	21	**(175,779)**	(45,811)
Amortization of intangible assets	22	**(31,226)**	(1,871)
Total operating expenses		**(10,219,852)**	(4,019,041)
Operating profits		**45,672,265**	4,474,899
Net (loss) gain on disposal of property and equipment		**(191,096)**	305
Profit before tax		**45,481,169**	4,475,204
Income tax expense	12	**(2,689,118)**	(1,432,865)
Profit for the year		**42,792,051**	3,042,339

The accompanying notes 1 to 49 form part of these separate financial statements.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	*2024* *LL million*	*2023* *LL million*
Profit for the year		**42,792,051**	3,042,339
Other comprehensive income that will be reclassified to the separate income statement in subsequent periods:			
Foreign currency translation net of tax			
Exchange differences on translation of foreign operations – branches		**10,613,413**	2,014,386
Share of other comprehensive income of subsidiaries under equity method, net of tax	20	**38,042,369**	5,855,501
Total other comprehensive income that will be reclassified to the separate income statement in subsequent periods		**48,655,782**	7,869,887
Other comprehensive income that will not to be reclassified to the separate income statement in subsequent periods:			
Financial assets at fair value through other comprehensive income			
Net unrealized gains		**5,939**	367
Share of other comprehensive income from subsidiaries under equity method, net of tax	20	**1,407,413**	20,335
Total other comprehensive income that will not be reclassified to the separate income statement in subsequent periods		**1,413,352**	20,702
Other comprehensive income for the year		**50,069,134**	7,890,589
Total comprehensive income for the year		**92,861,185**	10,932,928

SEPARATE STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Notes	*2024* *LL million*	*2023* *LL million*
Assets			
Cash and balances with central banks	13	**1,153,206,866**	198,966,371
Due from banks and financial institutions	14	**47,767,230**	7,358,587
Due from sister banks	15	**417,139**	96,619
Derivative financial instruments	16	**2,151**	1,132
Financial assets at fair value through profit or loss	17	**33,274,029**	3,547,788
Net loans and advances to customers at amortized cost	18	**24,931,106**	4,583,845
Net loans and advances to related parties at amortized cost	41	**149,668**	16,391
Debtors by acceptances		**36,405**	4,010
Financial assets at fair value through other comprehensive income		**256,006**	39,288
Financial assets at amortized cost	19	**64,449,307**	17,092,190
Investments in subsidiaries	20	**53,335,949**	8,899,555
Property, equipment and right-of-use assets	21	**3,531,392**	1,067,070
Intangible assets	22	**122,867**	4,303
Assets obtained in settlements of debt	23	**4,502,074**	171,003
Other assets	24	**681,905**	180,062
Total assets		**1,386,664,094**	242,028,214
Liabilities and equity			
Liabilities			
Due to central banks	25	**5,314,006**	2,183,677
Due to banks and financial institutions	26	**5,841,460**	1,217,982
Due to sister banks	27	**7,570,142**	1,378,329
Derivative financial instruments	16	**4,433**	2,224
Customers' deposits at amortized cost	28	**1,225,450,190**	216,750,340
Deposits from related parties at amortized cost	41	**2,593,265**	878,647
Engagements by acceptances		**39,003**	4,626
Other liabilities	29	**17,964,395**	3,140,398
Provisions for risks and charges	30	**13,605,080**	1,046,856
Total liabilities		**1,278,381,974**	226,603,079
Equity			
Share capital - common shares	31	**322,500**	322,500
Share premium on common shares	31	**374,085**	374,085
Non distributable reserves	32	**2,593,535**	2,775,114
Distributable reserves	33	**37,696**	37,696
Treasury shares	34	**(4,434)**	(4,434)
Retained earnings		**4,342,032**	1,122,314
Revaluation reserve of real estate	35	**1,261,488**	11,842
Change in fair value of financial assets at fair value through other comprehensive income		**184,305**	20,599
Foreign currency translation reserve		**56,378,862**	7,723,080
Result of the year		**42,792,051**	3,042,339
Total equity		**108,282,120**	15,425,135
Total liabilities and equity		**1,386,664,094**	242,028,214

SEPARATE STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	*2024* *LL million*	*2023* *LL million*
OPERATING ACTIVITIES			
Profit for the year before income tax		**45,481,169**	4,475,204
Adjustments for:			
Depreciation of property, equipment and right-of-use assets	21	**175,779**	45,811
Amortization of intangible assets	22	**31,226**	1,871
Gain from sale of property and equipment		**(57,040)**	(305)
Interest on lease liabilities		**13,614**	2,178
Provision for risks and charges		**1,662,928**	755,498
Net (recovery) impairment loss on financial assets	9	**(5,568,975)**	2,252,704
Net impairment (write-back of impairment) of assets obtained in settlement of debt	23	**11,352**	(377)
Gain on disposal of assets obtained in settlement of debt		**(44,905)**	(4,860)
Share of profit of subsidiaries	20	**(5,823,670)**	(1,034,008)
Unrealized gain from revaluation of financial assets at fair value through profit or loss	7	**(2,373,980)**	(102,587)
Difference of exchange for provision for foreign currency		**10,802,500**	-
Difference of exchange from conversion		**(33,210,623)**	-
		11,099,375	6,391,129
Changes in operating assets and liabilities:			
Due from banks and financial institutions		**(110,381)**	(289,985)
Balances with central banks		**124,580,332**	(1,860,781)
Due from sister banks		**47,795**	1,124
Derivative financial instruments – debit		**(1,019)**	(1,086)
Financial assets at fair value through profit or loss		**(9,814,933)**	85,766
Net loans and advances to customers at amortized cost		**2,738,852**	1,348,351
Net loans and advances to related parties at amortized cost		**(58,173)**	1,054
Debtors by acceptances		**(1,078)**	1
Assets obtained in settlement of debt		**264,643**	(11,565)
Other assets		**61,608**	(29,663)
Due to banks and financial institutions		**(197,273)**	355,574
Due to sister banks		**21,873**	671
Derivative financial instruments – credit		**2,209**	2,178
Customers' deposits at amortized cost		**(22,217,569)**	2,702,729
Deposits from related parties at amortized cost		**(2,607,131)**	(248,409)
Other liabilities		**8,677,341**	462,195
Provisions for risks and charges		**(324,061)**	54,670
Cash from operations		**112,152,410**	8,963,953
Retirement benefits obligation paid	30	**(3,454)**	(3,234)
Net cash from operating activities		**112,148,956**	8,960,719
INVESTING ACTIVITIES			
Financial assets at amortized cost		**31,524,868**	698,648
Change in fair value of financial assets at fair value through other comprehensive income		**(210,779)**	20,526
Purchase of property and equipment and intangible assets	21,22	**(398,455)**	(51,339)
Transfer of property and equipment and intangible assets		**-**	19
Proceeds from the sale of property and equipment		**503,923**	877
Proceeds from disposal of assets obtained in settlement of debt		**264,643**	7,942
Net cash from investing activities		**31,684,200**	676,673
FINANCING ACTIVITIES			
Debt issued and other borrowed funds		**-**	(38,183)
Lease liability payments		**-**	(6,785)
Net cash used in financing activities		**-**	(44,968)
Net foreign exchange difference in respect of cash and cash equivalents		**319,456,885**	51,466,551
INCREASE IN CASH AND CASH EQUIVALENTS		**463,290,041**	61,058,975
Cash and cash equivalents at 1 January		**68,489,242**	7,430,267
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	36	**531,779,283**	68,489,242
Operational cash flows from interest and dividends			
Interest paid		**3,348,010**	551,018
Interest received		**22,425,666**	6,565,883
Dividend received		**1,724**	255

BLOM Bank SAL

SEPARATE STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Share capital-common shares LL million	*Share premium on common shares LL million*	*Non distributable reserves LL million*	*Distributable reserves LL million*	*Treasury shares LL million*	*Retained earnings LL million*	*Revaluation reserve of real estate LL million*	*Cumulative changes in fair value (OCI) LL million*	*Foreign currency translation reserve LL million*	*Result of the year LL million*	*Total LL million*
Balance at 1 January 2024	322,500	374,085	2,775,114	37,696	(4,434)	1,122,314	11,842	20,599	7,723,080	3,042,339	15,425,135
Profit for the year 2024	-	-	-	-	-	-	-	-	-	42,792,051	42,792,051
Other comprehensive income	-	-	-	-	-	-	1,249,646	163,706	48,655,782	-	50,069,134
Total comprehensive income	-	-	-	-	-	-	1,249,646	163,706	48,655,782	42,792,051	92,861,185
Appropriation of 2023 profits	-	-	352,435	-	-	2,689,904	-	-	-	(3,042,339)	-
Transfers (Note 32)	-	-	(534,014)	-	-	534,014	-	-	-	-	-
Other	-	-	-	-	-	(4,200)	-	-	-	-	(4,200)
Balance at 31 December 2024	**322,500**	**374,085**	**2,593,535**	**37,696**	**(4,434)**	**4,342,032**	**1,261,488**	**184,305**	**56,378,862**	**42,792,051**	**108,282,120**
Balance at 1 January 2023	322,500	374,085	2,735,251	37,696	(4,434)	1,159,650	11,842	(103)	(146,807)	5,366	4,495,046
Profit for the year 2023	-	-	-	-	-	-	-	-	-	3,042,339	3,042,339
Other comprehensive income	-	-	-	-	-	-	-	20,702	7,869,887	-	7,890,589
Total comprehensive income	-	-	-	-	-	-	-	20,702	7,869,887	3,042,339	10,932,928
Transfer from retained earnings to non-distributable reserves	-	-	6,210	-	-	(6,210)	-	-	-	-	-
Appropriation of 2022 profits	-	-	33,653	-	-	(28,287)	-	-	-	(5,366)	-
Other	-	-	-	-	-	(2,839)	-	-	-	-	(2,839)
Balance at 31 December 2023	322,500	374,085	2,775,114	37,696	(4,434)	1,122,314	11,842	20,599	7,723,080	3,042,339	15,425,135

The accompanying notes 1 to 49 form part of these separate financial statements.

1 CORPORATE INFORMATION

BLOM Bank SAL (the "Bank"), a Lebanese joint stock company, was incorporated in 1951 and registered under No 2464 at the commercial registry of Beirut and under No 14 on the banks' list published by the Central Bank of Lebanon. The headquarters of the Bank is located in Verdun, Rashid Karameh Street, Beirut, Lebanon. The Bank's shares are listed on the Beirut Stock Exchange and Luxembourg Stock Exchange. On 23 October 2020, the Bank announced that it has applied for the withdrawal of its Global Depositary Shares from trading on the EUROMTF and the Official List of Luxembourg Stock Exchange with effect from 24 November 2020. Moreover, the GDSs and its underlying shares will continue to trade on the Beirut Stock Exchange. Noting that the Global Depository receipt programme (GDR) will continue to operate and all GDSs will remain outstanding.

The Bank provides all banking activities (commercial, investing and private), through 75 branches in Lebanon, and 17 branches in the Hashemite Kingdom of Jordan.

The Bank has closed its branches in Iraq following the Board of Directors decision on 15 July 2020. The Bank obtained the approval of the Central Bank of Iraq on 24 September 2020 and that of the Central Bank of Lebanon on 27 November 2020. The branch was fully liquidated during 2024.

During 2022, the Central Bank of Lebanon asked from the Bank to close its branch in Cyprus within six months. In its meeting held on 12 April 2022, the Board of Directors decided to close its branch operations in Cyprus.

The separate financial statements were authorized for issue in accordance with the Board of Directors' resolution on 30 April 2025.

1.1 Macroeconomic environment

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

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

The difficulty in accessing foreign currencies led to the emergence of a parallel market to the peg whereby the price to access foreign currencies increased constantly, deviating significantly from the peg of LBP 1,507.5 to the US Dollar. This has resulted in an uncontrolled rise in prices and the incessant de facto depreciation of the Lebanese Pound, impacting intensely the purchasing power of Lebanese citizens, driving a currency crisis, high inflation and rise in the consumer price index. In February 2023, the Central Bank of Lebanon changed the official published exchange rate from LBP 1,507.5 to LBP 15,000 to the US Dollar. In January 2024, the Central Bank of Lebanon changed the official published exchange rate from LBP 15,000 to LBP 89,500 to the US Dollar.

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

1 CORPORATE INFORMATION (continued)

1.1 Macroeconomic environment (continued)

Lebanese Government's Financial Recovery Plan
A financial recovery plan was ratified by the Cabinet on 20 May 2022.

The plan includes several measures that are prerequisites to unlock funds from a preliminary deal with the International Monetary Fund agreed in April 2024, that could help pull the country out of a three-year financial meltdown.

The endorsed plan foresees a full audit of the Central Bank's forex financial standing. Then, the government "will cancel, at the outset, a large part of the Central Bank's foreign currency obligations to banks in order to reduce the deficit in BdL's capital," the document said. The largest 14 commercial banks, representing 83% of total assets, would also be audited. Viable banks would be recapitalised with "significant contributions" from banks' shareholders and large depositors.

The plan made no mention of a sovereign fund to manage state-owned assets but pledges to limit recourse to public assets, which had been a demand of Lebanon's commercial banks. The plan said it would protect small depositors "to the maximum extent possible" in each viable bank but did not lay out a minimum amount to be protected – unlike draft plans. Non-viable banks, however, would be dissolved by the end of November, it added. As of today, laws for the reinstatement of financial stability, for the resolution of banks and for capital controls are yet to be issued.

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

Recent Political Developments
The recent political developments (Ceasefire agreement, presidential elections, PM designation, Cabinet announcement, etc) opened the country to new horizons if the opportunity is appropriately grasped on behalf of Lebanese decisions makers. This month saw the formation of a cabinet of qualified experts followed by the appointment of a new Central Bank Governor.

Banking Restructuring
On 12 April 2025, the Cabinet approved the draft banking reform law which is yet to be approved by the Parliament. Its implementation is contingent on the passage of the financial gap law, highlighting the interdependence of the three core reforms: lifting banking secrecy, restructuring banks, and closing the financial gap.

The law introduces a full legal framework for intervening in the operations of failing banks, with the aim of protecting depositors, safeguarding financial stability, and ensuring the continuity of essential banking services. As a starting point, banks are required to meet minimum capital and liquidity requirements that will be specified in the financial gap law. The law clearly outlines the conditions under which a bank is deemed to be failing or likely to fail, and introduces several restructuring tools such as recapitalization, forced mergers, and asset separation.
At the heart of the draft law is the creation of a Bank Restructuring Authority, a specialized independent body tasked with overseeing the resolution process of distressed financial institutions. This authority would have sweeping powers, including the ability to initiate bank restructuring, appoint independent valuers, enforce asset transfers, and if necessary, trigger liquidation procedures.

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

1 CORPORATE INFORMATION (continued)

1.2 Regulatory environment

During 2020 and up to the date of authorisation of issue of these separate financial statements, the Central Bank of Lebanon has issued several circulars to address the situations, mainly:

- Basic Circular 150 issued on 9 April 2020 and 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 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.

- Intermediate Circular 567 issued on 26 August 2020 (amending Basic Circular 23, 44 and 78), which partly altered the directives for the determination of expected credit losses and regulatory capital calculation and ratios, previously set in its Intermediate Circular 543 issued on 3 February 2020. Loss rate applied for the calculation of regulatory expected credit losses on exposures to Lebanese sovereign bonds in foreign currencies was increased from 9.45% to 45%, (later on increased again to 75% by Intermediate Circular 649), while loss rates applied for the calculation of regulatory expected credit losses on exposures to Lebanese sovereign bonds in local currency, exposures to the Central Bank of Lebanon in foreign currencies and exposures to the Central Bank of Lebanon in local currency remained the same (0%, 1.89% and 0% respectively).
  - Allowing banks to constitute the expected credit losses on exposures to Lebanese sovereign and the Central Bank of Lebanon, progressively over a period of five years, noting that the Central Bank of Lebanon's Central Council may accept to extend the term 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.
  - Allowing banks not to automatically downgrade loan classification or staging for borrowers that were negatively affected by the COVID-19 pandemic, showing past due and unpaid for the period from 1 February 2020 to 31 December 2020. These borrowers must be identified as either still operating on a going concern basis or not. In case the borrower is still operating as a going concern, the Bank may reschedule the loan. In exceptional cases when the borrower ceases to operate as a going concern following the impact of the COVID-19 pandemic, the Bank must immediately downgrade the loan classification and staging to Stage 3 (default).
  - Requesting from banks to finalise the assessment of the future financial position of their customers by 31 December 2020, and to estimate expected credit losses based on this assessment and recognise the financial impact in the statement of income for the year ended 31 December 2020.
  - Prohibiting banks from distributing dividends on common shares for the years 2019 and 2020 (Years 2021, 2022, 2023, 2024 and 2025 were subsequently added by way of Intermediate Circulars 616, 659, 676 and 726 respectively).
  - Requesting from banks to increase their own funds (equity) by an amount equal to 20% of their common equity Tier 1 capital as of 31 December 2018, through issuing new foreign currency capital instruments that meet the criteria for inclusion as regulatory capital, except retained earnings and gain from revaluation of fixed assets. The Central Bank of Lebanon's Central Council may exceptionally approve for a bank to complete 50% of the 20% required capital increase through the transfer of real estate properties from the shareholders to the concerned bank. However, these real estate properties must be liquidated in a period of 5 years following the operation.

1 CORPORATE INFORMATION (continued)

1.2 Regulatory environment (continued)

- Changing the treatment of revaluation of fixed assets reserve for regulatory capital calculation, to become allowed for inclusion as Common Equity Tier 1 (previously 50% of this reserve was allowed for inclusion as Tier 2), subject to approval of the Central Bank of Lebanon on the revaluation gain. On 20 January 2023, Intermediate Circular 659 capped the inclusion of revaluation of fixed assets at 50% under certain conditions while allowing the use of the prevailing Sayrafa rate at the end of each reporting period over 5 years. Besides, it widened the scope of revaluation to include participations and long-term loans to affiliated banks and financial institutions. Intermediate Circular 685 issued on 28 December 2023 increased the contribution of this revaluation to Common Equity Tier 1 from 50% to 75%.
- Banks must comply with the minimum capital adequacy ratios and are forbidden from distributing profits if these ratios drop below 7% for common equity Tier 1, 10% for Tier 1 and 12% for total capital. Banks must maintain a capital conservation buffer of 2.5%, comprised of Common Equity Tier 1. After allowing banks to draw down the buffer fully during 2020 and 2021, a partial drawn up to 1.75% in 2022, latest regulatory changes introduced on 2 February 2024 via Intermediate Circular 689 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.
- Preparing and presenting to the Central Bank of Lebanon a comprehensive plan for rectifying non-compliances with regulatory capital requirements and other regulations imposed by the Central Bank of Lebanon, taking into consideration all required provisions by the Banking Control Commission of Lebanon (BCCL), as well as other losses or provisions that the Bank expects to incur from all kinds of exposures to risks, and specifying the period of time needed to address the non-compliances.
- 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 amortised over a period of 3 years (2022-2024 by 25% yearly).

• Basic Circular 154 issued on 27 August 2020 and aiming mainly at restoring the operations of banks in Lebanon to their normal levels as at before October 2019, and rectifying any non-compliance with regulatory ratios and banking regulations. The circular mainly introduced the following measures:
  - Requesting banks to present a fair assessment of the value of their assets and liabilities for the purpose of putting in place the comprehensive plan referred to in Intermediate Circular 567 (refer to above), in order to be able, within a period limited in time, to comply with the regulatory and banking requirements, mainly those related to liquidity and solvency, and in order to restore the operations of the Bank to their normal levels as at before October 2019.
  - Requesting banks to incite each customer who has transferred abroad, between 1 July 2017 and the date of the circular, more than USD 500,000 or their equivalent in other foreign currencies, to deposit in a 5-year term (extended to 8-year term following Intermediate Circular 707 date 20 September 2024) "special account" an amount equal to 15% to 30% (depending on the type of customer) of the transferred amount. Banks shall use this type of deposits to facilitate foreign operations that stimulate the national economy. This is also applicable for the banks' importing customers, based on opened letters of credits during any of the years 2017, 2018 and 2019, and without a minimum threshold.
  - Requesting from banks to maintain a current account with a foreign correspondent bank offshore, free of any obligations (cash on premises and liquidity abroad). Such accounts shall be at no time less than 3% of the Bank's total foreign currency deposits as at 31 July 2020, by 28 February 2021. This requirement was subject to several amendments; the latest (Intermediate Circular 707) considered foreign currency 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. Besides, it extended the date to comply to be 31 December 2025 instead of 28 February 2021. 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
  - Requesting from banks, after taking consideration of their fair assessment of their financial position, to present a plan during the first quarter of 2021, to address recapitalisation needs, if any, to the Central Bank of Lebanon's Central Council, for its approval. Banks shall take the necessary legal and regulatory measures in order to facilitate the consensual possibility for their depositors to transfer their deposits to shares or bonds. Bank shares will be exclusively listed in Beirut. Banks can pay interest on the bonds that exceed current levels.

1 CORPORATE INFORMATION (continued)

1.2 Regulatory environment (continued)

- Basic Circular 157 issued on 10 May 2021 and setting the framework of exceptional measures for foreign-currency operations. Hence, banks operating in Lebanon must process customers' FX operations (buy and sell) related to their personal or commercial needs on the electronic platform "Sayrafa". Transactions with customers encompass purchase and sale of foreign currencies banknotes against LBP, as well as operations from/to foreign currencies external accounts against LBP. Banks are required to properly document each transaction and should not collect commission margins between buy and sell operations exceeding 1%.

- Basic Circular 158 issued on 8 June 2021 and defining the mechanism for the gradual settlement of 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.

  Eligible funds will be transferred to a subaccount over which banking secrecy will be lifted vis-à-vis BdL and BCC before being gradually withdrawn and remitted to the customer on a monthly basis. 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.) (amended later on to US$ 300 for all BDL 158-based contracts signed with the customers after 1 July 2023 following the issuance of BDL intermediate circular 674 on 5 July 2023) and (ii) an amount in LBP equivalent to USD 400 and converted at a rate USD/LBP 12,000 (before amendment USD/LBP at 15,000 on 20 January 2023), noting that 50% of the amount will be paid in cash and 50% will be credited to a payment card. The portion in LBP was later on removed with the issuance of BDL Intermediate Circular 674. On 17 November 2023, BdL issued Intermediate Circular 682 adding an eligibility criteria to benefit from Basic Circular 158. On 8 June 2024, Intermediate Circular 697 expanded 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 $500 for all beneficiaries of Basic Circular 158. The additional amounts were financed from the Bank's compulsory reserves with BDL in foreign currency.

  Customers who have transferred their funds after the crisis to another local Bank can benefit from the provisions of said circular if (i) transferred funds are returned to the originating bank, and if (ii) the customer hadn't benefited from the circular neither from the originating Bank, nor the destination Bank. The financing of the aforementioned process will be secured equally through (i) BdL reduction of compulsory reserves requirements from 15% to 14% as per BdL Intermediate 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 2022, extended to 31 December 2023 by Intermediate Circular 626 issued on 21 June 2022.

- Basic Circular 159 issued on 17 August 2021 preventing banks from processing foreign currency funds received from customers whether in the form of cash or through offshore transfers at a value other than its face value, with the exception of transactions pertaining to the settlement of loans (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 accounts in foreign currencies, whether directly or indirectly.

- 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.

1 CORPORATE INFORMATION (continued)

1.2 Regulatory environment (continued)

- Intermediate Circular 616 issued on 3 March 2022 prohibiting banks from distributing dividends to ordinary shareholders from results of financial years 2019, 2020 and 2021 (years 2022, 2023 and 2024 were added through Intermediate Circular 659, 676 and 726 respectively).
- Basic Circular 162 issued on 28 March 2022 requesting from banks to secure a level of liquidity sufficient to allow public sector employees to withdraw their monthly salaries and other compensations without setting any type of limits.
- Basic Circular 163 issued on 27 May 2022 defining the framework for the monitoring of the accounts of public officials, the performance of due diligence on their operations and the reporting to the Special Investigation Committee on the basis of founded suspicion.
- Intermediate Circular 637 issued on 27 July 2022 (amending Basic Circulars 65 and 78) requires banks selling real estate properties or participations acquired in accordance with the provisions of Article 153 or 154 of the CMC, only against fresh USD or its equivalent in LBP based on Sayrafa rate.
- Basic Circular 164 issued on 12 October 2022 and requesting banks to report to the Banking Control Commission on the cost of their monthly operating expenses that should be paid with fresh money, the resources for settling these expenses and how to ensure those resources.
- Intermediate Circular 648 issued on 1 November 2022 (amending Basic Circulars 14 and 67) reduced by 50% the interest rates served on foreign currencies placements with BdL and on Certificates of Deposits issued by BdL while continuing paying 50% of coupon payment in the instrument's currency and 50% in LBP at official rate (LBP 1,507.5 to the US Dollar until 31 January 2023 and LBP 15,000 to the US Dollar afterwards). 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 Deposits 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 deposits 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 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 656 issued on 20 January 2023 stating that Banks and financial institutions operating in Lebanon must not accept the repayment of loans granted in foreign currencies to non-residents, of which off-shore companies, except through incoming cross-border transfers of fresh funds.
- 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 BDL Basic Cicular 32 which defines the framework of Foreign Exchange ("FX") operations in Banks operating in Lebanon and various FX positions computation. This circular came on the wake of several amendments applied in 2023 (Intermediate Circular 659, Intermediate Circular 675 and Intermediate Circular 677) aiming at converging to the IAS 21: The Effects of Changes in Foreign Exchange Rates differentiating monetary from non-monetary items and the corresponding impact on the Bank's FX position. Based on the new definition, the Bank is authorized to hold a Special Long FX position to hedge its core equity against FX risk. This special long FX position is to be deducted from the FX open position to reach the FX Trading Position. . Besides, the circular reintroduced the 1% maximum limit (if the Bank holds concurrently a long open position and a net long trading position) on net trading position and 40% limit on Global position, while cancelling all previously authorized structural/fixed positions and any forbearance limit. The Intermediate Circular 730 issued on 20 February 2025 circular stated that excesses over set limits whether long or short should be liquidated by 31 December 2025.

1 CORPORATE INFORMATION (continued)

1.2 Regulatory environment (continued)

- 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 foreign currencies 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 USD150 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 converted LBP deposits into foreign currencies for at least USD 300,000 post-crisis with the exception of those who converted their end of service indemnity, 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.

  During 2024 several intermediary circulars were issued granting additional payments to beneficiaries of Basic Circular 166 (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 728 issued on 20 February 2025 increased the monthly payment to be $250 for all beneficiaries of Basic Circular 166. The additional amounts were financed from the Bank’s compulsory reserves with BDL in foreign currency.

- Basic Circular 167 issued on 2 February 2024 defining the published rate on BDL’s electronic platform as the FX translation rate for the Bank’s FCY monetary items as well for the non-monetary assets measured at fair value and assets measured as per equity method in line with IAS 21. This measure applies starting January 2024 reported financials.
- 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 712 issued on 10 October 2024 (amending Basic Circular 147) requesting from Banks to refund customers’ accounts with the proceeds of a Banker’s check issued by the Bank from the concerned customer’s account on the condition it has not been endorsed and there are no related litigations. Besides, if the customer is eligible, he can benefit from provisions of Basic Circulars 158 and 166.
- Intermediate Circular 723 issued on 13 January 2025 (amending Basic Circular 81) restricting the granting of loans in US Dollars to “cash money” only as per Basic Circular 165 definition.
- Intermediate Circular 733 issued on 27 March 2025 (amending Basic Circular 159) permitting banks to purchase foreign currencies provided that the margins and commissions do not exceed 1% of the purchase price to only sell local foreign currency only to Central Bank of Lebanon. Banks are also restricted to sell or purchase financial instrument in Local foreign currencies without prior approval from Central Bank of Lebanon (amended with Intermediate Circular 734 issued on 14 April 2025).

1 CORPORATE INFORMATION (continued)

1.3 Particular situation of the Bank

Exchange Rates
Several exchange rates had emerged since the last quarter of 2019 that varied significantly among each other and from the official published exchange rate. The official exchange rate was changed from LBP 1,507.5 to LBP 15,000 to the US Dollar in February 2023 and from LBP 15,000 to LBP 89,500 to the US Dollar in January 2024. Sayrafa Rates (refer to below) and parallel market rates remained highly volatile and divergent from the official published exchange rates since the last quarter of 2019 up to the last change in the official published exchange rate in January 2024, as a result of which they became convergent.

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

	2024		*2023*	
	Year-end Rate LL	***Average Rate LL***	*Year-end Rate LL*	*Average Rate LL*
US Dollar	**89,500.00**	**89,500.00**	15,000.00	15,000.00
Euro	**93,465.00**	**93,739.68**	16,695.00	15,011.43
Romanian Leu	**18,790.33**	**18,843.56**	3,356.05	3,062.05
British Pound	**112,717.08**	**110,721.48**	19,209.53	17,258.84
Jordanian Dinar	**126,163.00**	**126,163.00**	21,144.60	21,144.60
Egyptian Pound	**1,760.40**	**1,775.90**	485.44	449.92
Saudi Riyal	**23,835.00**	**23,824.00**	3,999.60	3,698.66
Qatari Riyal	**24,551.00**	**24,533.26**	4,114.10	3,782.40
Iraqi Dinar	**68.32**	**68.32**	11.45	11.45
Arab Emirates Dirham	**24,493.57**	**23,572.47**	4,113.39	3,786.97

The exchange rates above consist of the official exchange rates published by the Central Bank of Lebanon on a monthly basis.

Sayrafa Platform
On 10 May 2021, the Central Bank of Lebanon issued Basic Circular 157 setting the framework of exceptional measures for foreign-currency operations. Hence, banks operating in Lebanon must process customers' FX operations (buy and sell) related to their personal or commercial needs on the electronic platform "Sayrafa".

Transactions with customers encompass purchase and sale of foreign currencies banknotes against LBP, as well as operations from/to foreign currencies external accounts against LBP. Sayrafa corresponds to a floating system and the Sayrafa average rate and volume of foreign currency operations are published on the website of the Central Bank of Lebanon. Foreign currency operations were executed on the Sayrafa platform at the following exchange rates:

	Rate as at 31 December 2024 LL	***Average Rate for the year ended 31 December 2024 LL***	*Rate as at 31 December 2023 LL*	*Average Rate for the year ended 31 December 2023 LL*
US Dollar	**89,500**	**89,500**	89,500	78,116

The platform rate is not available for the purchase and sale of and "local" foreign currency bank accounts which are subject to de-facto capital controls.

1 CORPORATE INFORMATION (continued)

1.3 Particular situation of the Bank (continued)

Exchange Rates (continued)

31 December 2024
The Bank uses the official published exchange rate to translate all 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 always represent a reasonable estimate of expected cash flows in Lebanese Pounds that would have to be generated/used from the realisation of such assets or the payment of such liabilities at the date of the separate financial statements.

31 December 2023
Because of the gap between the several exchange rates available, the number of variables and assumptions affecting the possible future resolution of the uncertainties is very high, increasing the subjectivity and complexity of the judgment, and Management was unable to determine the rate at which the future cash flows represented by the transaction or balance could have been settled depending on its source and nature, if those cash flows had occurred at the measurement date. Accordingly, the Bank used the official published exchange rate to translate all 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 realisation of such assets or the payment of such liabilities.

Expected Credit Losses
As at 31 December 2024, loss allowances on assets held at the Central Bank of Lebanon recorded in these separate financial statements amounted to LL 103,749 billion against gross exposure of LL 1,236,424 billion (2023: LL 17,388 billion against LL 211,082 billion). In addition, as at 31 December 2024, loss allowances on Certificates of deposits under financial assets at amortized cost recorded in these separate financial statements amounted to LL 1,977 billion against gross exposure of LL 36,025 billion (2023: LL 331 billion against LL 11,615 billion). Due to the high levels of uncertainty and to the lack of observable indicators and of visibility on the government's plans with respect to banks' exposure 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 separate financial statements do not include adjustments of the carrying amount of these assets to their recoverable amounts based on IFRS Accounting Standards and an expected credit loss model.

The impact is expected to be pervasive and will be reflected in the separate financial statements once the debt restructuring has been defined conclusively by the government and all uncertainties and constraints are resolved, and once 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 recognised loss allowances, as well as their staging, are detailed in note 43 to these separate financial statements.

As a result of the negative economic conditions and the deepening of the recession, the credit quality of the private loans portfolio concentrated in Lebanon has significantly deteriorated since the last quarter of 2019. The deterioration was further aggravated by the effects of the significant high inflation in Lebanon. Since the start of the Lebanese crisis, the Bank has been implementing a de-risking strategy by considerably reducing its assets size, specifically its portfolio of private loans concentrated in Lebanon. However, given the high level of uncertainties facing the Lebanese economy and the expected type of instruments underlying future cash flows on settlement of these private loans, loss allowances have been estimated based on the best available information at the reporting date about past events, current conditions and forecasts of economic conditions combined with expert judgment. Maximum exposures to the credit risk of the Bank's portfolio of private loans and the recognised loss allowances, as well as their staging, are detailed in note 43 to these separate financial statements.

The separate financial position of the Bank, as reported in these separate financial statements, does not reflect the adjustments that would be required by IFRS Accounting Standards 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 uncertainty on the 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 separate financial position. Management anticipates that the above matters will have a materially adverse impact on the Bank's separate financial position and its separate equity.

1 CORPORATE INFORMATION (continued)

1.3 Particular situation of the Bank (continued)

Litigations and Claims
Until the above uncertainties are resolved, the Bank is continuing its operations as performed since 17 October 2019 and in accordance with the laws and regulations. De-facto capital controls and inability to transfer foreign currencies to correspondent banks outside Lebanon are exposing the Bank to litigations that are dealt with on a case by case basis when they occur. The Bank has been subject to increased litigations as a result of these restrictive measures adopted by Lebanese banks in relation to withdrawal of funds and transfers abroad, as well as in relation to the repayment by customers of local foreign currency loans in Lebanese Pounds. Management is carefully considering the impact of these 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. Management believes that a legislative solution is urgently needed, through the enactment of laws that are appropriate for the adjudication of the unconventional legal disputes arising under the current exceptional circumstances. Due to recent developments and the increasing trend in judgments ruled in favour of the plaintiffs and customers from the years 2021 till 2024. Management considers that they may affect negatively the liquidity of the Bank (refer to note 47). The amount cannot be determined presently.

Taxes, Social Security Contributions and Related Provisions
Due to the availability of several exchange rates in the Lebanese market, the determination of taxes, social security contributions and related provisions in relation to transactions or activities in foreign currencies are highly sensitive to the exchange rates applied. As a result of the unprecedented events and circumstances, there is high level of judgment involved in deciding on the exchange rates used and any change in these exchange rates, would result in a different determination of taxes, social security contributions and related provisions.

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. Due to the late issuance of the decisions, the Bank was unable to quantify or record the impact of the law on the taxes in the Bank's separate financial statements for the year ended 31 December 2024. The Bank is currently working to identify all impacts the law will have on the separate financial statements.

Measures by the Bank
Meanwhile, the Bank is exerting extended efforts to (a) strengthen its capitalisation, (b) enhance the quality of its private loans portfolio, deleveraging it as appropriate and downsizing its balance sheet, (c) build up its offshore liquidity and reduce its commitments and contingencies to correspondent banks and financial institutions outside Lebanon and (d) manage operating profitability.

On 1 October 2020, the Bank received a letter from the Central Bank of Lebanon, referring to Basic Circular 154 and Intermediate Circular 567, and requesting the Bank to submit a roadmap that sets out the following:

- The Bank's overall strategy for the years 2020-2024.
- The Bank's assessment of its portfolio of private loans and expected credit losses as at 31 December 2020, as well as total realised and expected losses for the year 2020.
- The amount of expected credit losses that have not been translated yet to foreign currencies.
- The capital needs to comply with the minimum required capital and the measures and sources that will be relied upon to cover the shortfall, when existing.
- The Bank's strategy with respect to its investments in foreign banks and branches.
- The mechanism to rectify any non-compliance with regulatory requirements.
- The measures that will be taken to rectify non-compliances with articles 154 and 153 of the Code of Money and Credit, if any.
  The measures that will be taken to attract foreign liquidity or "fresh funds" and to cover liquidity onshore and offshore commitments.

The roadmap was submitted to the Central Bank of Lebanon on 4 December 2020 including a number of assumptions that remain highly susceptible to material change depending on the evolution of the financial, monetary and operating conditions in Lebanon. Hence, a definitive reasonable and credible roadmap can only be achieved once the many material uncertainties still governing the outlook in Lebanon are resolved and the amount of recapitalisation needs is accurately determinable.

1 CORPORATE INFORMATION (continued)

1.3 Particular situation of the Bank (continued)

Measures by the Bank (continued)
Once the above uncertainties are resolved, a pro-forma balance sheet of the Bank will be prepared which will include the effects of the hyperinflation, the effects of the restructuring of the government debt securities, the effects of the restructuring of the Central Bank of Lebanon balance-sheet and the effects on its private loan portfolio.

The Bank's key strategic objectives during this challenging period focused on the consolidation and de-risking of the domestic franchise and operations, and the ring-fencing of foreign entities and branches from Lebanon spill-over effects: 1- Strengthening the Bank's foreign currency liquidity metrics; 2- Maintaining sufficient capital buffers over the minimum regulatory capital adequacy levels; 3- Improving asset quality by (i) closely monitoring the lending portfolios, taking early remedial actions on problematic files and maintaining adequate provisioning coverage and (ii) significantly reducing sovereign debt exposure; especially in foreign currency; 4-Ensuring that foreign entities continue to provide the Bank with diversified income generation capacity; 5-Targeting a lean organizational structure by improving operational efficiency and optimizing cost structure.

The Bank is taking measures to help strengthen its financial position, including international liquidity and solvency metrics. However, as at 31 December 2024, consolidated capital adequacy ratios stood at 6.69%, 6.69% and 6.78% for CET1, Tier 1 and Total CAR respectively (minimum regulatory levels of 4.5%, 6.0% and 8.0%, since banks are allowed to draw down on the 2.5% capital conservation buffer during 2023 and 2024).

In the continued absence of the long awaited banking restructuring plan, the Bank is unable to predict the impact of the crisis and the then adopted restructuring plan on the financial statements of the Bank in Lebanon, nor it is able to predict the measures that might be taken by the regulator in that regard. The Bank is also uncertain whether the measures implemented since the outset of the crisis and mentioned above would be sufficient to cover all its commitments as they become due and restore the activities of the Bank to normal pre-crisis levels. Such sufficiency and a reasonable and credible plan can only be achieved once the uncertainties from the prevailing crisis, and, as well as the implementation of a clear national fiscal and economic recovery plan are resolved. It is only at that particular point in time that a pro-forma balance sheet of the Bank will be prepared and will include the effects of the hyperinflation, the effects of the restructuring of the government debt securities, the effects of the restructuring of the Central Bank of Lebanon balance-sheet and to a lesser extent the effects on its private loan portfolio.

The Lebanese crisis which was set off during the last quarter of 2019 has imposed severe limitations on the ability to conduct Commercial Banking activities or transactions under the normal course of business in Lebanon. Market embedded factors, such as de-facto capital controls, inability to secure foreign liquidity and the existence of several values for the US Dollar, resulted into several practices and transactions that would not qualify as normal course of business in a non-crisis environment, and for which there are no directly observable prices or a governing legal/regulatory framework. Such practices and transactions expose the Bank to increased litigation and regulatory risks, and negatively impact the financial position of the Bank, its regulatory ratios and covenants due the adverse effects of the uncertainties. There is a significant uncertainty in relation to the extent and period over which this situation will continue and the impact that conducting operations under a crisis environment in the foreseeable future will further have on the Bank's financial position, future cash flows, results of operations, regulatory ratios and covenants. The Bank's realisation value of assets and sufficiency and settlement value of liabilities are premised on future events, the outcome of which are inherently uncertain.

2 MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

The separate financial statements have been prepared on a historical cost basis except for: a) the restatement of certain tangible real estate properties in Lebanon according to the provisions of law No 282 dated 30 December 1993, b) the measurement at fair value of derivative financial instruments, financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income and c) the measurement of investments in subsidiaries using the equity method.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The separate financial statements are presented in Lebanese Lira (LL), which is the Bank's functional currency, and all values are rounded to the nearest LL million, except when otherwise indicated.

These separate financial statements incorporate the results of operations, assets and liabilities of Blom Bank SAL and its branches in Jordan and Cyprus only, without consolidating the operating results and financial position of the subsidiaries. Consolidated financial statements as of 31 December 2024 are also presented by the Bank, and are available at the Bank's offices.

As of 31 December 2024 and 2023, all conditions have been met for the Bank's separate financial statements to incorporate the inflation adjustment provided under IAS 29 "Financial Reporting in Hyperinflationary Economies". IFRS Accounting Standards require 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 analysing the behaviour of population, prices, interest rates and wages should also be considered.

The Lebanese Central Administration of Statistics reported 3-year and 12-month cumulative rates of inflation of 666% and 18%, respectively, as of December 2024 (2023: 2,005% and 192%). Qualitative indicators, following the deteriorating economic condition and currency controls, also support the conclusion that Lebanon is a hyperinflationary economy for accounting purposes for periods ending on or after 31 December 2020. Therefore, entities whose functional currency is the Lebanese Pound should restate their financial statements to reflect the effects of inflation in conformity with IAS 29. Such restatements 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 summarised 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 amortisation charges of intangible assets recognised 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 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.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

As of the date of the accompanying separate 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 separate 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 separate financial statements including its separate statement of financial position, separate income statement, separate statement of comprehensive income and separate cash flow statement.

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

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

Presentation of separate financial statements
The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within one year after the statement of financial position date (current) and more than one year after the statement of financial position date (non-current) is presented in these notes.

Financial assets and financial liabilities are generally reported gross in the separate statement of financial position. They are offset and the net amount is reported only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis – or to realise the assets and settle the liability simultaneously – in all of the following circumstances: a) the normal course of business, b) the event of default, and c) the event of insolvency or bankruptcy of the Bank and/or its counterparties.

Only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement. This is not generally the case with master netting agreements; therefore the related assets and liabilities are presented gross in the separate statement of financial position. Income and expense will not be offset in the separate income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Bank. The effect of netting arrangements is disclosed in note 25 to the separate financial statements.

2.2 New and amended standards and interpretations

The Bank applied for the first time, certain amendments to the standards which are effective for annual periods beginning on or after 1 January 2024. The nature and impact of each amendment is described below:

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments had no impact on the Bank's separate financial statements.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.2 New and amended standards and interpretations (continued)

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

a. What is meant by a right to defer settlement.
b. That a right to defer must exist at the end of the reporting period.
c. That classification is unaffected by the likelihood that an entity will exercise its deferral right.
d. That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity’s right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had no impact on the Bank’s separate financial statements.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk.

The transition rules clarify that an entity is not required to provide disclosures in any interim periods in the year of initial application of the amendments. Thus, the amendments had no impact on the Bank’s separate financial statements.

2.3 Standards issued but not yet effective

Lack of exchangeability – Amendments to IAS 21
In August 2023, the Board issued Lack of Exchangeability (Amendments to IAS 21). The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity’s financial performance, financial position and cash flows. The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information. The Bank is currently assessing the impact of the amendments on the Bank’s financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements
In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified ‘roles’ of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from ‘profit or loss’ to ‘operating profit or loss’ and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Bank is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies

Foreign currencies
The separate financial statements are presented in Lebanese Lira (LL), which is also Bank's functional currency. Each foreign branch of the Bank determines its own functional currency and items included in the separate financial statements of each foreign branch are measured using that functional currency.

(i) Transactions and balances
Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction as disclosed in note 1 to the separate financial statements.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the date of the statement of financial position. All differences are taken to "Net loss from financial assets at fair value through profit or loss" in the separate income statement, except for monetary items that are designated as part of the hedge of the Bank's net investment in a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non–monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non–monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

(ii) Translation of foreign branches
As at the reporting date, the assets and liabilities of overseas branches are translated into the Bank's presentation currency at the rate of exchange as at the reporting date as disclosed in note 1 to the separate financial statements, and their income statements are translated at the weighted average exchange rates for the year as disclosed in note 1 to the separate financial statements. Exchange differences arising on translation are recognized in OCI. On disposal of a foreign branch, the deferred cumulative amount recognized in OCI relating to that particular foreign branch is reclassified to the separate income statement.

Financial instruments – initial recognition

(i) Date of recognition
All financial assets and liabilities are initially recognized on the settlement date. This includes "regular way trades": purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(ii) Initial measurement of financial instruments
Financial instruments are initially measured at their fair value, plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument. In the case of a financial instrument measured at fair value, with the change in fair value being recognized in profit or loss, the transaction costs are recognized as revenue or expense when the instrument is initially recognized. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

(iii) Day 1 Profit or Loss
When the transaction price differs from the fair value at origination and the fair value is based on a valuation technique using only observable inputs in market transactions, the Bank immediately recognizes the difference between the transaction price and fair value (a "Day 1" profit or loss) in the separate income statement. In cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in the separate income statement when the inputs become observable, or when the instrument is derecognized.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Financial assets – classification and measurement
On initial recognition, financial assets are classified as measured at: amortised cost, fair value through other comprehensive income, or fair value through profit or loss on the basis of two criteria:
(i) The business model within which financial assets are measured; and
(ii) Their contractual cash flow characteristics (whether the cash flows represent "solely payments of principal and interest" (SPPI)).

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold assets to collect contractual cash flows, and their contractual cash flows represent SPPI.

Financial assets are measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent SPPI.

All other financial assets are classified as measured at fair value through profit or loss.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

On initial recognition, the Bank may irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Bank is required to disclose such financial assets separately from those mandatorily measured at fair value.

Business model
The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. Generally, a business model is a matter of fact which can be evidenced by the way business is managed and the information provided to Management.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. The Bank's business model can be to hold financial assets to collect contractual cash flows even when sales of financial assets occur. However, if more than an infrequent number of sales are made out of a portfolio, the Bank needs to assess whether and how such sales are consistent with an objective of collecting contractual cash flows. If the objective of the Bank's business model for managing those financial assets changes, the Bank is required to reclassify financial assets.

The SPPI test
As a second step of its classification process the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Financial assets – classification and measurement (continued)

The SPPI test (continued)
In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at fair value though profit and loss.

Financial assets at amortized cost
Balances with Central Banks, Due from Banks and Financial Institutions, Due from Sister Banks, Loans to Banks and Financial Institutions and Loans and Advances to Customers and Related Parties at Amortized Cost and Finance Assets at Amortized Cost.

These financial assets are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributed to the acquisition are also included in the cost of investment. After initial measurement, these are subsequently measured at amortized cost using the EIR, less expected credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in “interest and similar income” in the separate income statement. The losses arising from impairment are recognized in the separate income statement in “net recovery (impairment losses) on financial assets”. Gains and losses arising from the derecognition of financial assets measured at amortized cost are reflected under “net loss from derecognition of financial assets at amortized cost” in the separate income statement.

Financial assets at fair value through other comprehensive income
Debt instruments at fair value through other comprehensive income
These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributed to the acquisition are also included in the cost of investment. After initial measurement, these are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income. Interest income and foreign exchange gains and losses are recognised in the income statement in the same manner as for financial assets measured at amortised cost. The ECL calculation for debt instruments at fair value through other comprehensive income is explained below. On derecognition, cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to the income statement..

Equity instruments at fair value through other comprehensive income
Upon initial recognition, the Bank can elect to classify irrevocably some of its investments in equity instruments at fair value through other comprehensive income when they are not held for trading. Such classification is determined on an instrument-by-instrument basis.

These financial assets are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated under equity. The cumulative gain or loss will not be reclassified to the separate income statement on disposal of the investments. Equity instruments at fair value through other comprehensive income are not subject to an impairment assessment.

Financial assets at fair value through profit or loss
Included in this category are those debt instruments that do not meet the conditions in “*financial assets at amortized cost*” and “*financial assets at fair value through other comprehensive income*” above, debt instruments designated at fair value through profit or loss upon initial recognition, and equity instruments at fair value through profit or loss. Management only designates a financial asset at fair value through profit and loss upon initial recognition when the designation eliminates, significantly reduces, the inconsistent treatment that would otherwise arise from measuring assets or recognizing gains and losses on them on a different basis.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Financial assets – classification and measurement (continued)

Financial assets at fair value through profit or loss (continued)

Debt instruments at fair value through profit or loss
These financial assets are recorded in the separate statement of financial position at fair value. Transaction costs directly attributable to the acquisition of the instrument are recognized as revenue or expense when the instrument is initially recognized. Changes in fair value and interest income are recorded under “net loss from financial assets at fair value through profit or loss” in the separate income statement. Gains and losses arising from the derecognition of debt instruments and other financial assets at fair value through profit or loss are also reflected under “net loss from financial assets at fair value through profit or loss” in the separate income statement, showing separately those related to financial assets designated at fair value upon initial recognition from those mandatorily measured at fair value.

Equity instruments at fair value through profit or loss
Investments in equity instruments are classified at fair value through profit or loss, unless the Bank designates at initial recognition an investment that is not held for trading as at fair value through other comprehensive income. These financial assets are recorded in the separate statement of financial position at fair value. Changes in fair value and dividend income are recorded under “net loss from financial assets at fair value through profit or loss” in the separate income statement. Gains and losses arising from the derecognition of equity instruments at fair value through profit or loss are also reflected under “net loss from financial assets at fair value through profit or loss” in the separate income statement.

Financial liabilities (other than financial guarantees, letters of credit and loan commitments) – classification and measurement
Liabilities are initially measured at fair value plus, in the case of a financial liability not at fair value through profit or loss, particular transaction costs. Liabilities are subsequently measured at amortized cost or fair value.

The Bank classifies all financial liabilities as subsequently measured at amortized cost using the effective interest rate method, except for:
- Financial liabilities at fair value through profit or loss (including derivatives);
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- Contingent consideration recognized in a business combination in accordance with IFRS 3.

The Bank may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when:
- Doing so results in more relevant information, because it either eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as “an accounting mismatch”) that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or
- A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Bank's Key Management Personnel; or
- A group of financial liabilities contains one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by contract, or it is clear with little or no analysis when a similar instruments is first considered that separation of the embedded derivatives is prohibited.

Financial liabilities at fair value though profit and loss are recorded in the separate statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at though profit and loss due to changes in the Bank’s own credit risk. Such changes in fair value are recognized in other comprehensive income, unless such recognition would create an accounting mismatch in the separate income statement. Changes in fair value attributable to changes in credit risk do not get recycled to the separate income statement.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Financial liabilities (other than financial guarantees, letters of credit and loan commitments) – classification and measurement (continued)
Interest incurred on financial liabilities designated at fair value through profit and loss is accrued in interest expense using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument.

Debt issued and other borrowed funds
Financial instruments issued by the Bank, which are not designated at fair value through profit or loss, are classified under "debt issued and other borrowed funds" where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt issued and other borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate method.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on the quoted market prices for similar debt instruments). The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the debt component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.

Due to Central Banks, Banks and Financial Institutions, Sister Banks and Customers' and Related Parties' Deposits
After initial measurement, due to central banks, banks and financial institutions, sister banks and customers' and related parties' deposits are measured at amortized cost less amounts repaid using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate method. Customer deposits which are linked to the performance of indices or commodities are subsequently measured at fair value through profit or loss.

Derivatives recorded at fair value through profit or loss
A derivative is a financial instrument or other contract with all three of the following characteristics:

a) Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (aka the "underlying").
b) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
c) It is settled at a future date.

The Bank enters into derivative transactions with various counterparties. These include interest rate swaps, forward foreign exchange contracts and currency options.

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The notional amount and fair value of such derivatives are disclosed separately in the notes. Changes in the fair value of derivatives are recognized in "net (loss) gain from financial assets at fair value through profit or loss" in the separate income statement, unless hedge accounting is applied, which is discussed in under "hedge accounting policy" below.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Embedded derivatives
An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

An embedded derivative is separated from the host and accounted for as a derivative if, and only if:

(a) The hybrid contract contains a host that is not an asset within the scope of IFRS 9;
(b) The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host;
(c) A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
(d) The hybrid contract is not measured at fair value with changes in fair value recognized in profit or loss.

Financial guarantees, letters of credit and undrawn loan commitments
Financial guarantees are initially recognized in the separate financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the separate income statement, and an ECL provision. The premium received is recognized in the income statement in "Net fees and commission income" on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments are not recorded in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in the notes.

Reclassification of financial assets
The Bank reclassifies financial assets if the objective of the business model for managing those financial assets changes. Such changes are expected to be very infrequent and are determined by the Bank's Senior Management as a result of external or internal changes when significant to the Bank's operations and demonstrable to external parties.

If financial assets are reclassified, the reclassification is applied prospectively from the reclassification date, which is the first day of the first reporting period following the change in business model that results in the reclassification of financial assets. Any previously recognized gains, losses or interest are not restated.

If a financial asset is reclassified so that it is measured at fair value, its fair value is determined at the reclassification date. Any gain or loss arising from a difference between the previous carrying amount and fair value is recognized in profit or loss. If a financial asset is reclassified so that it is measured at amortized cost, its fair value at the reclassification date becomes its new carrying amount.

Derecognition of financial assets and financial liabilities

Financial assets

(i) Derecognition due to substantial modification of terms and conditions
If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Derecognition of financial assets and financial liabilities (continued)

Financial assets (continued)

(i) Derecognition due to substantial modification of terms and conditions (continued)
If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below).

If the modification of a financial asset measured at amortized cost or fair value through other comprehensive income does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognizes the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

(ii) Derecognition other than for substantial modification
A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Bank also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:
- The Bank has transferred its contractual rights to receive cash flows from the financial asset; or
- The Bank retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement.

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:
- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates;
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients; and
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:
- The Bank has transferred substantially all the risks and rewards of the asset; or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Derecognition of financial assets and financial liabilities (continued)

Financial assets (continued)

(ii) Derecognition other than for substantial modification (continued)
When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Bank's continuing involvement, in which case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in the separate income statement, as "other operating income" or "other operating expenses".

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Repurchase and reverse repurchase agreements
Securities sold under agreements to repurchase at a specified future date are not derecognized from the statement of financial position as the Bank retains substantially all the risks and rewards of ownership. The corresponding cash received is recognized in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within "Repurchase agreements", reflecting the transaction's economic substances as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the EIR. When the counterparty has the right to sell or repledge the securities, the Bank reclassifies those securities in its statement of financial position to "Financial assets at fair value through profit or loss pledged as collateral" as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognized in the statement of financial position. The consideration paid, including accrued interest is recorded in the statement of financial position within "Cash collateral on securities borrowed and reverse purchase agreements", reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded in "Net interest income" and is accrued over the life of the agreement using the EIR.

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 loss from financial instruments at fair value through profit or loss" in the income statement.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Impairment of financial assets

(i) Overview of the ECL principles
The Bank records the allowance for expected credit losses for all loans and other financial assets not held at fair value through profit or loss, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss), unless there has been no significant increase in credit risk since origination, in which cases, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of lifetime ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

(ii) Measurement of ECLs
The Bank measures ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amount that the Bank expects to recover.

The key inputs into the measurements of ECL are:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and expected drawdowns on committed facilities.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Bank would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

These parameters are generally derived from statistical models and other historical data. Forward looking information is incorporated in ECL measurements.

The Bank measures ECLs using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For these instruments with a remaining maturity of less than 12 months, probability of default corresponding to remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be impaired, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be impaired are included in this stage, the allowance for credit losses captures the lifetime expected credit losses, similar to Stage 2.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Impairment of financial assets (continued)

(iii) Forborne and modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

When the loan has been renegotiated or modified but not derecognized, the Bank also reassesses whether there has been a significant increase in credit risk. The Bank also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 12-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- At least a 12-month probation period has passed,
- Three consecutive payments under the new repayment schedule have been made,
- The borrower has no past dues under any obligation to the Bank,
- All the terms and conditions agreed to as part of the restructuring have been met.

If modifications are substantial, the loan is derecognized, as explained above.

(iv) Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortized cost and debt financial assets carried at fair value through other comprehensive income are credit-impaired (referred to as "Stage 3 financial assets"). A financial asset is "credit impaired" when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable information:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

(v) Write offs

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to "Net impairment losses on financial assets".

(vi) Debt Instruments at Fair Value through Other Comprehensive Income

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to the income statement. The accumulated loss recognised in OCI is recycled to the income statement upon derecognition of the assets.

(vii) Collateral repossessed

The Bank occasionally acquires properties in settlement of loans and advances. Upon initial recognition, those assets are measured at fair value as approved by the regulatory authorities. Subsequently, these properties are measured at the lower of carrying value or net realizable value.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Impairment of financial assets (continued)

(vii) Collateral repossessed (continued)
Upon sale of repossessed assets, any gain or loss realized is recognized in the separate income statement under “other operating income” or “other operating expenses”. Gains resulting from the sale of repossessed assets are transferred to “Reserve appropriated for capital increase” in the following financial year.

Fair value measurement
The Bank measures financial instruments, such as derivatives, and non-financial assets, namely land, building and building improvements, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost are disclosed in the notes.

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 Bank. 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 Bank 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 separate financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the separate financial statements on a recurring basis, the Bank 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.

Management determines the policies and procedures for both recurring and non-recurring fair value measurement. At each reporting date, Management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Bank’s accounting policies. For this analysis, Management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Bank 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.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Hedge accounting
In order to manage particular risks, the Bank applies hedge accounting for transactions which meet the specified criteria. The Bank makes use of derivative instruments to manage exposures to foreign currency risk and interest rate fluctuations. The process starts with identifying the hedging instrument and hedged item and preparing hedge documentation detailing the risk management strategy and objective.

Setting the risk management strategy and objectives
At inception of the hedge relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge, and the method that will be used to assess the effectiveness of the hedging relationship.

The risk management strategy is established at the level of Board risk management committee and identifies the risks to which the Bank is exposed and whether and how the risk management activities should address those risks. The strategy is typically maintained for a relatively long period of time. However, it may include some flexibility to react to changes in circumstances. The risk management strategy is set out in general documentation and is cascaded down through policies containing more specific guidelines.

The Bank sets risk management objectives at the level of individual hedging relationships and defines how a particular hedging instrument is designated to hedge a particular hedged item. As such, a risk management strategy would usually be supported by many risk management objectives.

Qualifying hedging relationships
The Bank applies hedge accounting for qualifying hedging relationships. A hedging relationship qualifies for hedge accounting only if: (a) the hedging relationship consists only of eligible hedging instruments and eligible hedged items; (b) at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the Bank's risk management objective and strategy for undertaking the hedge; and (c) the hedging relationship meets all of the hedge effectiveness requirements.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis in order to qualify for hedge accounting. The effectiveness test can be performed qualitatively or quantitatively. A formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item, both at inception and at each quarter on an ongoing basis. A hedge is expected to be highly effective if:

- 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 entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create hedge ineffectiveness that could result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

Hedge ineffectiveness is recognised in the separate income statement in "net (loss) gain from financial assets at fair value through profit or loss".

When a Bank separates the intrinsic value and time value of an option contract and designates as the hedging instrument only the change in intrinsic value of the option, it shall account for the time value of the option as follows:

(a) An entity shall distinguish the time value of options by the type of hedged item that the option hedges:
    (i) A transaction related hedged item; or
    (ii) A time-period related hedged item.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Hedge accounting (continued)

Qualifying hedging relationships (continued)

(b) The change in fair value of the time value shall be recognised in other comprehensive income to the extent that it relates to the hedged item and shall be accumulated in a separate component of equity. The cumulative change in fair value shall be accounted for as follows:
    (i) If the hedged item subsequently results in the recognition of a non-financial asset or a non-financial liability, or a firm commitment for a non-financial asset or a non-financial liability for which fair value hedge accounting is applied, the entity shall remove the amount from the separate component of equity and include it directly in the initial cost or other carrying amount of the asset or the liability. This is not a reclassification adjustment and hence does not affect other comprehensive income;
    (ii) For hedging relationships other than those covered by (i), the amount shall be reclassified from the separate component of equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss;
    (iii) However, if all or a portion of that amount is not expected to be recovered in one or more future periods, the amount that is not expected to be recovered shall be immediately reclassified into profit or loss as a reclassification adjustment.

(c) The change in fair value of the time value of an option that hedges a time-period related hedged item shall be amortized on a systematic and rational basis over the period during which the hedge adjustment for the option’s intrinsic value could affect profit or loss (or other comprehensive income, if the hedged item is an equity instrument for which an entity has elected to present changes in fair value in other comprehensive income). However, if hedge accounting is discontinued for the hedging relationship that includes the change in intrinsic value of the option as the hedging instrument, the net amount (i.e. including cumulative amortisation) that has been accumulated in the separate component of equity shall be immediately reclassified into profit or loss as a reclassification adjustment (see IAS 1).

When a Bank separates the forward element and the spot element of a forward contract and designates as the hedging instrument only the change in the value of the spot element of the forward contract, or when an entity separates the foreign currency basis spread from a financial instrument and excludes it from the designation of that financial instrument as the hedging instrument, the entity may account for the forward element of the forward contract or for the foreign currency basis spread in the same manner as for the time value of an option.

(i) Fair value hedges

For qualifying fair value hedges, the gain or loss on the hedging instrument is recognized in the separate income statement under “net (loss) gain from financial assets at fair value through profit or loss”. Hedging gain or loss on the hedged item adjusts the carrying amount of the hedged item and is recognized in the separate income statement also under “net (loss) gain from financial assets at fair value through profit or loss”.

If the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, or the Bank decides to voluntarily discontinue the hedging relationship, the hedge relationship is discontinued prospectively. If the relationship does not meet the hedge effectiveness criteria, the Bank discontinues hedge accounting from the last date on which compliance with hedge effectiveness was demonstrated.

If the hedge accounting relationship is terminated for an item recorded at amortized cost, the accumulated fair value hedge adjustment to the carrying amount of the hedged item is amortized over the remaining term of the original hedge by recalculating the EIR. If the hedged item is derecognised, the unamortized fair value adjustment is recognised immediately in the separate income statement.

For fair value hedge relationships where the hedged item is not measured at amortized cost, such as debt instruments at fair value through other comprehensive income, changes in fair value that were recorded in the separate income statement whilst hedge accounting was in place are amortized in a similar way to amortized cost instruments using the EIR method. However, as these instruments are measured at their fair values in the separate statement of financial position, the fair value hedge adjustments are transferred from the separate income statement to other comprehensive income.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Hedge accounting (continued)

(ii) Cash flow hedges
For qualifying cash flow hedges, a separate component of equity associated with the hedged item (cash flow hedge reserve) is adjusted to the lower of the following (in absolute amounts):

a) The cumulative gain or loss on the hedging instrument from inception of the hedge; and
b) The cumulative change in fair value (present value) of the hedged item from inception of the hedge.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge (the portion that is offset by the change in the cash flow hedge reserve described above) shall be recognised in other comprehensive income. Any remaining gain or loss on the hedging instrument is hedge ineffectiveness that shall be recognised in the separate income statement. The amount that has been accumulated in the cash flow hedge reserve and associated with the hedged item is treated as follows:

a) If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the Bank removes that amount from the cash flow hedge reserve and includes it directly in the initial cost or other carrying amount of the asset or the liability without affecting other comprehensive income.
b) For cash flow hedges other than those covered by a), that amount is reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss. However, if that amount is a loss and the Bank expects that all or a portion of that loss will not be recovered in one or more future periods, it immediately reclassifies the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.

When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in the separate income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the separate income statement.

(iii) Hedge of net investments
Hedges of net investments in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized directly in other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the income statement. On disposal or partial disposal of the foreign operation, the cumulative value of any such gains or losses recognized directly in the foreign currency translation reserve is transferred to the separate income statement as a reclassification adjustment.

Leases
The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank as a lessee
The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets
The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are presented within "Property, equipment and right-of-use assets" on the separate financial statements and are subject to impairment in line with the Bank's policy as described under Impairment of non-financial assets.

Depreciation charge for right-of-use assets presented within "Depreciation of property, equipment and right-of-use assets" on the separate financial statements.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Leases (continued)

(ii) Lease liabilities
At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

The Bank's lease liabilities are included under "other liabilities". Moreover, the interest charge on lease liabilities is presented within "interest and similar expenses" from financial instruments measured at amortized cost in separate financial statements.

(iii) Short-term leases and leases of low-value assets
The Bank applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Other rental expenses (including non-lease components paid to landlords) presented within other operating expenses.

Bank as a lessor
Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Interest and similar income and expense

The effective interest rate
Interest income and expense are recognized in the income statement applying the EIR method for all financial instruments measured at amortized cost and financial instruments designated at fair value through profit or loss.

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability. When calculating the EIR for financial instruments other than purchased or originated credit impaired, an entity shall take into account all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but shall not consider the expected credit losses. For purchased or originated credit impaired financial assets, a credit adjusted effective interest rate is calculated using estimated future cash flows and expected credit losses.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Revenue recognition (continued)

(i) Interest and similar income and expense (continued)

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest income and interest expense

The effective interest rate of a financial asset or a financial liability is calculated on initial recognition of the financial asset or financial liability. In determining interest income and expense, the EIR is applied to the gross carrying amount of the financial asset (unless the asset is credit-impaired) or the amortized cost of a financial liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortization of the hedge adjustment begins.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts, unless the financial instrument is measured at fair value, with the change in fair value being recognized in profit or loss. In those cases, the fees are recognized as revenue or expense when the instrument is initially recognized.

When a financial asset becomes credit-impaired after initial recognition, interest income is determined by applying EIR to the net amortized cost of the instrument. If the financial asset cures and is no longer credit-impaired, the Bank reverts back to calculating interest income on a gross basis. Furthermore, for financial assets that were credit-impaired on initial recognition, interest is determined by applying a credit-adjusted EIR to the amortized cost of the instrument. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income on financial assets at amortized cost calculated using the effective interest method is presented in the separate income statement under “Interest and similar income”. Interest expense on financial assets at amortized cost is presented in the separate income statement under “Interest and similar expense”.

Interest income and expense on financial instruments measured at fair value through profit or loss are presented under “Net (loss) gain from financial assets at fair value through profit or loss” in the separate income statement.

(ii) Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan. When it is unlikely that a loan be drawn down, the loan commitment fees are recognized as revenues on expiry.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Revenue recognition (continued)

(iii) Dividend income
Dividend income is recognized when the Bank's right to receive the payment is established.

(iv) Net gain from financial assets at fair value through profit or loss
Net income from financial instruments at fair value through profit or loss comprises gains and losses related to trading assets and liabilities, non-trading derivatives held for risk management purposes that do not form part of qualifying hedging relationships, financial assets and financial liabilities designated as at fair value through profit or loss and, also non-trading assets mandatorily measured at fair value through profit or loss. The line item includes fair value changes, interest, dividends and foreign exchange differences.

Cash and cash equivalents
"Cash and cash equivalents" as referred to in the cash flow statement comprise balances with original maturities of a period of three months or less including: cash and balances with central banks, deposits with banks and financial institutions, deposits with sister banks, due to central banks, deposits due to banks and financial institutions and deposits due to sister banks.

Investments in subsidiaries
Investments in subsidiaries are accounted for under the equity method. Subsidiaries are enterprises which the Bank controls.

Under the equity method, the investment in subsidiaries is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Bank's share of net assets of the subsidiary since the acquisition date. Goodwill relating to the subsidiary is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Bank's share of the results of operations of the subsidiary. Any change in OCI of those investees is presented as part of the Bank's OCI. In addition, when there has been a change recognised directly in the equity of the subsidiary, the Bank recognises its share of any changes, when applicable, in the separate statement of changes in equity. Unrealised gains and losses resulting from transactions between the Bank and the subsidiary are eliminated to the extent of the interest in the subsidiary.

The aggregate of the Bank's share of profit or loss of a subsidiary is shown on the face of the separate statement of profit or loss outside operating profit.

The financial statements of the subsidiary are prepared for the same reporting period as the Bank. When necessary, adjustments are made to bring the accounting policies in line with those of the Bank.

After application of the equity method, the Bank determines whether it is necessary to recognise an impairment loss on its investment in its subsidiary. At each reporting date, the Bank determines whether there is objective evidence that the investment in the subsidiary is impaired. If there is such evidence, the Bank calculates the amount of impairment as the difference between the recoverable amount of the subsidiary and its carrying value, and then recognises the loss within 'Share of profit of subsidiaries' in the separate statement of profit or loss.

If the ownership interest in a subsidiary is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is transferred to separate income statement where appropriate. Upon loss of control and significant influence over the subsidiary, the Bank measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the subsidiary upon loss of control and significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Property and equipment

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment. When significant parts of property and equipment are required to be replaced at intervals, the Bank recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the separate income statement as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate and treated as changes in accounting estimates.

Depreciation is calculated using the straight line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

Buildings	50 years
Furniture, office installations and computer equipment	(2 – 16.67) years
Vehicles	6.67 years

Any item of property and equipment and any significant part initially recognized are derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the separate income statement when the asset is derecognized. The asset's residual lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively if applicable.

Intangible assets

An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank. The Bank's intangible assets include the value of computer software and key money.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the separate income statement.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

Key money	lower of lease period or 5 years
Software development cost	2-5 years

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the separate income statement when the asset is derecognized.

The Bank does not have intangible assets with an indefinite economic life.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Assets obtained in settlement of debt
The Bank occasionally acquires real estate in settlement of certain loans and advances. Such real estate is stated at the lower of the amount of the related loans and advances and the current fair value of such assets based on the instructions of the Regulatory Authorities.

The Bank accounts for collateral repossessed in accordance with the Central Bank of Lebanon main circular 78 and the Banking Control Commission circulars 173 and 267. Repossessed assets should be sold within two years from the date of approval of repossession by the Banking Control Commission. These are immediately transferred to “Assets obtained in settlement of debt” at their fair value at the repossession date, as approved by the Banking Control Commission.

Upon sale of repossessed assets, any gain or loss realized is recognized in the income statement under “Other operating income” or “Other operating expenses”. Gains resulting from the sale of repossessed assets are transferred to “Reserves appropriated for capital increase” in the following financial year. For assets that were not disposed of within the specified period of two years, an amount computed as 5% or 20% of their gross carrying value is transferred to “Reserves appropriated for capital increase” in the following financial year.

Impairment of non-financial assets
The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the separate income statement.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Provisions for risks and charges
Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the separate income statement net of any reimbursement.

The Bank operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings both in Lebanon and in other jurisdictions, arising in the ordinary course of the Bank’s business.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Provisions for risks and charges (continued)
When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank does not include detailed, case-specific disclosures in its separate financial statements.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents.

Employees’ retirement benefits obligation
For the Bank and its branches operating in Lebanon, retirement benefits obligation subscriptions paid and due to the National Social Security Fund (NSSF) are calculated on the basis of 8.5% of the staff salaries. The final retirement benefits obligation due to employees after completing 20 years of service, at the retirement age, or if the employee permanently leaves employment, are calculated based on the last salary multiplied by the number of years of service. The Bank is liable to pay to the NSSF the difference between the subscriptions paid and the final retirement benefits obligation due to employees. The Bank provides for retirement benefits obligation on that basis.

Retirement benefits obligation for employees at foreign branches are accrued for in accordance with the laws and regulations of the respective countries in which the branches are located.

Taxes
Taxes are provided for in accordance with the regulations and laws that are effective in the countries where the Bank and its branches operate.

(i) Current tax
Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Bank and its branches operate and generate taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Taxes (continued)

(ii) Deferred tax (continued)

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Current tax and deferred tax relating to items recognized directly in other comprehensive income are also recognized in other comprehensive income and not in the separate income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Treasury shares

Own equity instruments of the Bank which are acquired by it or by any of its subsidiaries (treasury shares) are deducted from equity and accounted for at weighted average cost. Consideration paid or received on the purchase, sale, issue or cancellation of the Bank's own equity instruments is recognized directly in equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

When the Bank holds own equity instruments on behalf of its clients, those holdings are not included in the Bank's statement of financial position.

Dividends on common shares

Dividends on common shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Assets held in custody and under administration
The Bank provides custody and administration services that result in the holding or investing of assets on behalf of its clients. Assets under custody or under administration, are not treated as assets of the Bank and accordingly are recorded as off financial position items.

Customers' acceptances
Customers' acceptances represent term documentary credits that the Bank has committed to settle on behalf of its clients against commitments by those clients (acceptances). The commitments resulting from these acceptances are stated as a liability in the statement of financial position for the same amount.

Segment reporting
The Bank's segmental reporting is based on the following operating segments: retail banking, corporate banking, treasury, money and capital markets.

2.5 Significant accounting estimates and judgements

The preparation of the Bank's separate financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

Business model
In determining whether its business model for managing financial assets is to hold assets in order to collect contractual cash flows, the Bank considers:

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- How management evaluates the performance of the portfolio;
- Whether Management's strategy focuses on earning contractual interest revenues;
- The degree of frequency of any expected asset sales;
- The reason for any asset sales; and
- Whether assets that are sold are held for an extended period of time relative to their contractual maturity.

Contractual cash flows of financial assets
The Bank exercises judgements in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding and so may qualify for amortized cost measurement. In making the assessment the Bank considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

Going concern
Notwithstanding the events and conditions disclosed in note 1 to the separate financial statements, these separate financial statements have been prepared based on the going concern assumption. The Board of Directors believes that they are taking all the measures available to maintain the viability of the Bank and continue its operations in the current business and economic environment.

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

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Significant accounting estimates and judgements (continued)

Determining the lease term of contracts with renewal and termination options (continued)
The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., a change in business strategy).

The Bank included the renewal period as part of the lease term for leases of head office and branches due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on the Bank's operations if a replacement is not readily available. The renewal options for leases of motor vehicles (or other assets) were not included as part of the lease term because the Bank has a policy of leasing motor vehicles (or other assets) for not more than five years and, hence, not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Estimates and assumptions
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, are described below. The Bank based its assumptions and estimates on parameters available when the separate 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 Bank. Such changes are reflected in the assumptions when they occur.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models are derived from observable market data where possible, but where observable market data is not available, estimation is required to establish fair values. The judgements and estimates include considerations of liquidity and model inputs such as credit risk (both own and counterparty) funding value adjustments, correlation and volatility.

Impairment losses on financial instruments
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 Bank'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 Bank's internal credit grading model;
- The Bank'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 Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

2 MATERIAL ACCOUNTING POLICIES (continued)

2.5 Significant accounting estimates and judgements (continued)

Estimates and assumptions (continued)

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Bank is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Bank.

3 SEGMENT REPORTING

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segments are evaluated based on information relating to net operating income and financial position. Income taxes and operating expenses are managed on a group basis and are not allocated to operating segments.

Interest income is reported net, since Management monitors net interest income as a performance measure and not the gross income and expense amounts. Net interest income is allocated to the business segment based on the assumption that all positions are funded or invested via a central funding unit. An internal Funds Transfer Pricing (FTP) mechanism was implemented between operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The assets and liabilities that are reported in the segments are net from inter-segments' assets and liabilities since they constitute the basis of Management's measures of the segments' assets and liabilities and the basis of the allocation of resources between segments.

A) Business segments
The Bank operates in four major business segments: retail, corporate, treasury and asset management and private banking.

Retail banking provides a diversified range of products and services to meet the personal banking and consumer finance needs of individuals. The range includes deposits, housing loans, consumer loans, credit cards, fund transfers, foreign exchange and other branch related services.

Corporate banking provides a comprehensive product and service offering to corporate and institutional customers, including loans and other credit facilities, deposits and current accounts, trade finance and foreign exchange operations.

Treasury, money and capital markets provides Treasury services including transactions in money and capital markets for the Bank's customers, manages investment and trading transactions (locally and internationally), and manages liquidity and market risks. This segment also offers Investment Banking and brokerage services, and manages the Bank's own portfolio of stocks, bonds, and other financial instruments.

The following tables present net operating income information and financial position information in respect of the Bank's reportable segments.

3 SEGMENT REPORTING (continued)

A) Business segments (continued)

i) Net operating income information

	2024			
	Treasury, money and capital markets LL million	***Corporate banking LL million***	***Retail banking LL million***	***Total LL million***
Net interest income	**16,070,057**	**942,925**	**2,027,228**	**19,040,210**
Net fee and commission income	**3,806,484**	**190,885**	**1,468,632**	**5,466,001**
Net gain from financial assets at fair value through profit or loss	**3,284,576**	**-**	**16,631,151**	**19,915,727**
Share of profit of subsidiaries	**5,823,670**	**-**	**-**	**5,823,670**
Other operating income	**-**	**-**	**326,987**	**326,987**
Net recovery on financial assets	**8,560**	**3,942,707**	**1,617,708**	**5,568,975**
Discounts on loans	**-**	**(43,870)**	**(205,583)**	**(249,453)**
Net operating income	**28,993,347**	**5,032,647**	**21,866,123**	**55,892,117**

	2023			
	Treasury, money and capital markets LL million	*Corporate banking LL million*	*Retail banking LL million*	*Total LL million*
Net interest income	6,243,370	268,671	437,402	6,949,443
Net fee and commission income	681,357	45,435	253,982	980,774
Net gain from financial assets at fair value through profit or loss	196,979	-	2,096,943	2,293,922
Share of profit of subsidiaries	1,034,008	-	-	1,034,008
Other operating income	-	-	27,882	27,882
Net impairment loss on financial assets	(2,746,226)	444,559	48,963	(2,252,704)
Discounts on loans	-	(530,123)	(9,262)	(539,385)
Net operating income	5,409,488	228,542	2,855,910	8,493,940

ii) Financial position information

	2024					
	Treasury, money and capital markets LL million	***Corporate banking LL million***	***Retail banking LL million***	***Investments in subsidiaries LL million***	***Other[1] LL million***	***Total LL million***
Total assets	**1,299,372,728**	**8,327,310**	**16,789,869**	**53,335,949**	**8,838,238**	**1,386,664,094**
Total liabilities	**1,223,168,367**	**7,838,938**	**15,805,193**	**-**	**31,569,476**	**1,278,381,974**

	2023					
	Treasury, money and capital markets LL million	*Corporate banking LL million*	*Retail banking LL million*	*Investments in subsidiaries LL million*	*Other[1] LL million*	*Total LL million*
Total assets	227,101,976	1,568,825	3,035,421	8,899,555	1,422,437	242,028,214
Total liabilities	217,996,188	1,505,922	2,913,714	-	4,187,255	226,603,079

[1] Other assets include certain activities related to assets obtained in settlement of debt, property, equipment and right-of-use assets, intangible assets and other assets. Other liabilities include provisions for risks and charges, lease liabilities and other credit balances.

3 SEGMENT REPORTING (continued)

A) Business segments (continued)

i) Financial position information (continued)

Interest and similar income from exposure to the Central Bank of Lebanon and Lebanese sovereign amounted to LL 15,601,468 million for the year ended 31 December 2024 (2023: LL 6,684,221 million) arising from time deposits with the Central Bank of Lebanon and financial instruments held by the Bank. The breakdown of interest and similar income from exposure to the Central Bank of Lebanon and Lebanese sovereign is as follows:

	2024 LL million	*2023 LL million*
Interest and similar income		
Central Bank of Lebanon (note 4 (a) and (b))	**15,530,198**	6,591,189
Lebanese sovereign (note 4 (a) and note 7)	**71,270**	93,032
	15,601,468	6,684,221

B) Geographical segments

The Bank operates in two geographical markets based on the location of its markets and customers. The local market represents the Lebanese market, and the international market represents markets outside Lebanon. The following table shows the distribution of the Bank's net operating income and non-current assets.

	2024		
	Domestic LL million	***International LL million***	***Total LL million***
Total operating income	**51,339,277**	**(766,682)**	**50,572,595**
Net recovery (impairment loss) on financial assets	**2,229,950**	**3,339,025**	**5,568,975**
Discounts on loans	**(249,453)**	**-**	**(249,453)**
Net operating income[2]	**53,319,774**	**2,572,343**	**55,892,117**
Non-current assets[3]	**11,688,962**	**49,803,320**	**61,492,282**

	2023		
	Domestic LL million	*International LL million*	*Total LL million*
Total operating income	9,818,021	1,468,008	11,286,029
Net impairment loss on financial assets	(2,215,589)	(37,115)	(2,252,704)
Discounts on loans	(539,385)	-	(539,385)
Net operating income[2]	7,063,047	1,430,893	8,493,940
Non-current assets[3]	2,036,644	7,812,292	9,848,936

[2] *Net operating income is attributed to the geographical segment on the basis of the location where the income is generated.*

[3] *Non-current assets consist of investments in subsidiaries, property, equipment and right-of-use assets, intangible assets, and assets obtained in settlement of debt.*

4 INTEREST AND SIMILAR INCOME

	2024	*2023*
	LL million	*LL million*
Balances with central banks (a)	**15,093,499**	6,256,373
Due from banks and financial institutions	**2,516,827**	359,438
Due from sister banks	**8,058**	19,327
Loans and advances to customers at amortized cost	**3,021,155**	716,917
Loans and advances to related parties at amortized cost	**14,318**	3,103
Financial assets at amortized cost (b)	**2,924,560**	768,803
Less: tax on interest income (c)	**(1,093,703)**	(472,652)
	22,484,714	7,651,309

(a) Included under interest and similar income from balances with central banks, an amount of LL 14,446,879 million (2023: LL 6,185,456 million) from balances with the Central Bank of Lebanon (note 3).

(b) Included under interest and similar income from financial assets at amortized cost, an amount of LL 1,083,319 million and LL 71,249 million from Certificates of deposits with the Central Bank of Lebanon and from Lebanese government securities respectively (2023: LL 405,733 million and LL 93,011 million respectively) (note 3).

(c) Tax on interest income for the years ended 31 December 2024 and 2023 are as follows:

	2024	*2023*
	LL million	*LL million*
Balances with central banks	**1,012,867**	438,018
Financial assets at amortized cost	**80,836**	34,634
	1,093,703	472,652

5 INTEREST AND SIMILAR EXPENSE

	2024	*2023*
	LL million	*LL million*
Due to central banks	**292,142**	158,811
Due to banks and financial institutions	**101,853**	16,900
Due to sister banks	**5,981**	3,780
Customers' deposits at amortized cost	**2,994,645**	492,804
Deposits from related parties at amortized cost	**36,269**	20,450
Debt issued and other borrowed funds	**-**	6,943
Lease liabilities	**13,614**	2,178
	3,444,504	701,866

6 NET FEE AND COMMISSION INCOME

	2024	*2023*
	LL million	*LL million*
Fee and commission income		
General banking income	**4,456,863**	935,523
Credit-related fees and commissions	**285,403**	62,005
Trade finance	**149,805**	30,766
Brokerage and custody income	**1,380**	299
Electronic banking	**1,797,728**	283,778
Other fees and commissions	**152,734**	38,300
	6,843,913	1,350,671
Fee and commission expense		
Commission for LL banknotes (*)	**(38,613)**	(161,486)
General banking expenses	**(613,146)**	(92,979)
Electronic banking	**(723,541)**	(114,637)
Other fees and commissions	**(2,612)**	(795)
	(1,377,912)	(369,897)
	5,466,001	980,774

(*) In order to service customers' need in LL-denominated banknotes during periods of shortage, during 2024, the Bank paid a premium for the supply of LL-denominated banknotes amounting to LL 38,613 million (2023: LL 161,486 million) recorded under fee and commission expense.

7 NET GAIN FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024	*2023*
	LL million	*LL million*
Interest and similar income from debt instruments and other financial assets at fair value through profit or loss:		
- Corporate debt securities	**898,618**	112,363
- Funds	**12,095**	2,522
- Government debt securities (*)	**812**	437
	911,525	115,322
Net loss from sale of debt instruments and other financial assets at fair value through profit or loss:		
- Government debt securities	**(2,200)**	-
- Corporate debt securities	**(453)**	(21,185)
	(2,653)	(21,185)
Net unrealized (loss) gain from revaluation of debt instruments and other financial assets at fair value through profit or loss:		
- Corporate debt securities	**(3,480)**	65,681
- Government debt securities	**4,868**	(38)
- Funds	**(50,643)**	(2,310)
	(49,255)	63,333
Net gain from debt instruments and other financial assets at fair value through profit or loss	**859,617**	157,470
Net gain from equity instruments at fair value through profit or loss:		
- Unrealized gain from revaluation	**2,423,235**	39,254
- Dividend income	**1,724**	255
	2,424,959	39,509
Foreign exchange gain, net (**)	**16,631,151**	2,096,943
	19,915,727	2,293,922

Foreign exchange loss includes gains and losses from spot and forward contracts, other currency derivatives and the revaluation of the daily open trading and structural positions.

(*) Included under interest and similar income from government debt securities an amount of LL 21 million from Lebanese government securities (2023: the same) (note 3).

(**) In order to manage its US$/LL FX position, the Bank engaged in the following transactions:

- During 2024, the Bank sold the Central Bank of Lebanon the local foreign currencies previously purchased from its customers, resulting in a net loss of LL 927,701 million recorded in the separate income statement (2023: LL 145,905 million).
- During 2024, the Bank recognized a provision for risks and charges totaling LL 10,802,500 million, classified under “foreign exchange gain, net” in the separate income statement. This amount represents the anticipated loss from the sale of US$ 145 million in local Dollar to the Central Bank of Lebanon at an exchange rate of LL 15,000, which occurred during 2025.

7 NET GAIN FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

– During 2024, the Bank executed a transaction involving the sale of 50 million local US dollars, using a multiplier factor as these were exchanged in Lebanese Lira at an exchange rate of LL 8,950 per US dollar by one of its clients. The client had previously deposited an amount of 5 million US dollars transferrable, which was subsequently sold to the Bank at the official published exchange rate. As a result, for the year ended 31 December 2024, the Bank recognized a difference of exchange loss amounting to LL 4,027,500 million recorded under "foreign exchange gain, net" in the separate income statement. These transactions were queried by the regulator, whereby the latter has instructed the Bank to discontinue entering into such transactions going forward. No penalties or sanctions were imposed on the Bank as a result of these transactions.

8 OTHER OPERATING INCOME

	2024 ***LL million***	*2023* *LL million*
Recoveries of provisions for risks and charges	**-**	376
Other operating income	**326,987**	27,506
	326,987	27,882

9 NET RECOVERY (IMPAIRMENT LOSS) ON FINANCIAL ASSETS

	2024 ***LL million***	*2023* *LL million*
Re-measurements:		
Balances with Central Bank of Lebanon	**-**	(2,745,375)
Banks and financial institutions	**-**	(1,093)
Loans and advances to customers at amortized cost- Commercial loans	**(479,484)**	(213,108)
Loans and advances to customers at amortized cost- Consumer loans	**(571,511)**	(413,346)
Financial guarantees and other commitments	**(15,706)**	(1,984)
	(1,066,701)	(3,374,906)
Recoveries:		
Loans and advances to customers at amortized cost- Commercial loans	**4,108,988**	567,050
Loans and advances to customers at amortized cost- Consumer loans	**2,189,219**	462,309
Financial assets at amortized cost	**-**	58
Banks and financial institutions	**8,560**	184
Financial guarantees and other commitments	**500**	820
	6,307,267	1,030,421
Recoveries of debts previously written off	**328,409**	91,781
	5,568,975	(2,252,704)

10 PERSONNEL EXPENSES

	2024	*2023*
	LL million	*LL million*
Wages and salaries	**2,179,481**	806,978
Social security contributions	**447,036**	128,170
Retirement benefits obligation (note 30)	**1,662,815**	755,498
Additional allowances paid	**894,549**	488,258
Bonuses	**1,249,722**	392,434
	6,433,603	2,571,338

11 OTHER OPERATING EXPENSES

	2024	*2023*
	LL million	*LL million*
Fee for guarantee of deposits	**538,103**	86,363
Maintenance and repairs	**532,259**	223,909
Professional fees	**460,344**	163,298
Electricity and fuel	**247,131**	101,014
Postage and telecommunications	**173,344**	69,849
Marketing and advertising	**158,213**	123,863
Insurance	**155,084**	22,882
Rent and related charges under operating leases	**142,228**	96,633
Taxes and fees	**79,652**	32,507
Stationary and printings	**79,081**	82,573
Board of Directors' attendance fees	**50,389**	8,224
Fiscal stamps	**40,350**	5,388
Provisions for risks and charges (note 30)	**113**	-
Net impairment of assets obtained in settlement of debt (note 23)	**11,352**	-
Travel expenses	**10,164**	1,137
Entertainment expenses	**1,577**	536
Others (*)	**899,860**	381,845
	3,579,244	1,400,021

(*) "Others" includes mainly custody fees, guarding expenses, gifts and donations, money transfer expenses, and provision for litigations and claims.

12 INCOME TAX

Income tax expense for the years ended 31 December 2024 and 2023 was as follows:

	2024	*2023*
	LL million	*LL million*
Current income tax expense	**3,283,436**	1,098,016
Adjustments in respect of current income tax of previous years	**(1,054,017)**	334,784
Deferred income tax expense (*)	**459,699**	65
Income tax expense	**2,689,118**	1,432,865

(*) Deferred income tax expense is recognized on 10% of the Bank's share of the profits from its non-resident subsidiaries, representing the estimated withholding tax payable upon distribution of dividends from those subsidiaries.

12 INCOME TAX (continued)

Reconciliation of the total tax charge
A reconciliation between the tax expense and the accounting profit for the years ended 31 December 2024 and 2023 is as follows:

	2024	*2023*
	LL million	*LL million*
Accounting profit before income tax	**45,481,169**	4,475,204
Add:		
Provisions non tax deductible	**330,560**	2,824,546
Other non-tax deductible charges	**1,060,455**	742,688
	1,391,015	8,042,438
Less:		
Income received and previously subject to income tax	**-**	(3)
Provisions previously subject to income tax	**(1,125,925)**	(229,684)
Share of profit of subsidiaries	**(5,823,670)**	(1,034,008)
Unrealized gain from revaluation of financial assets at FVTPL	**(2,573,878)**	(172,657)
Remunerations previously subject to income tax	**(165,000)**	(85,000)
Net gain on disposal of fixed assets	**(44,695)**	(235)
Foreign exchange gain, net	**(16,631,151)**	-
Other	**(1,193,538)**	(61,934)
Taxable profit	**19,314,327**	6,458,917
Income tax expense in the separate income statement	**3,283,436**	1,098,016

13 CASH AND BALANCES WITH CENTRAL BANKS

	2024	*2023*
	LL million	*LL million*
Cash on hand	**10,887,284**	3,594,004
Central Bank of Lebanon		
Current accounts	**317,944,736**	35,518,001
Time deposits (*)	**915,111,298**	174,125,378
Accrued interest	**3,367,601**	1,438,888
	1,236,423,635	211,082,267
Other central banks		
Current accounts	**6,535,409**	842,611
Time deposits	**3,109,957**	834,867
Accrued interest	**-**	793
	9,645,366	1,678,271
	1,256,956,285	216,354,542
Less: allowance for expected credit losses (note 43.2.10)	**(103,749,419)**	(17,388,171)
	1,153,206,866	198,966,371

13 CASH AND BALANCES WITH CENTRAL BANKS (continued)

(*) During 2019, the Bank and the Central Bank of Lebanon signed a netting agreement for specified financial assets and liabilities that qualifies for netting under the requirements of IAS 32. Accordingly, as at 31 December 2024, time deposits with the Central Bank of Lebanon amounting to LL 5,370,819 million and term borrowings from the Central Bank of Lebanon are reported on a net basis on the statement of financial position (note 25).

As at 31 December 2024, financial assets and financial liabilities that were settled on a net basis amounted to LL 7,379,241 million (2023: LL 2,008,422 million) (note 25).

Obligatory reserves:
Cash and balances with Central Banks include non-interest bearing balances held by the Bank at the Central Bank of Lebanon in coverage of the obligatory reserve requirements for all banks operating in Lebanon on deposits in Lebanese Lira as required by the Lebanese banking rules and regulations. This obligatory reserve is calculated on the basis of 25% of sight commitments and 15% of term commitments after taking into account certain waivers relating to subsidized loans denominated in Lebanese Lira. Accordingly, the obligatory reserve amounted to LL 2,171,579 million at 31 December 2024 (2023: LL 1,534,333 million).

In addition to the above, all banks operating in Lebanon are required to deposit with the Central Bank of Lebanon non-interest bearing placements at the rate of 14% of total deposits in foreign currencies regardless of nature. These placements amounted to US$ 1,790,045 thousands (equivalent to LL 160,209,028 million) as at 31 December 2024 (2023: US$ 1,854,033 thousands equivalent to LL 27,810,495 million).

Foreign branches are also subject to obligatory reserve requirements with varying percentages, according to the banking rules and regulations of the countries in which they are located. Balances of foreign branches available against obligatory reserves amounted to LL 2,403,974 million as at 31 December 2024 (2023: LL 401,492 million).

14 DUE FROM BANKS AND FINANCIAL INSTITUTIONS

	2024 ***LL million***	*2023* *LL million*
Current accounts	**7,026,060**	1,230,493
Time deposits	**40,743,090**	6,129,851
	47,769,150	7,360,344
Less: allowance for expected credit losses (note 43.2.10)	**(1,920)**	(1,757)
	47,767,230	7,358,587

15 DUE FROM SISTER BANKS

	2024 ***LL million***	*2023* *LL million*
Current accounts	**388,361**	89,080
Time deposits	**28,778**	7,539
	417,139	96,619

16 DERIVATIVE FINANCIAL INSTRUMENTS

The Bank enters into derivatives for trading and for risk management purposes. The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the quantity of a derivative contracts' underlying instrument (being a reference rate or index) and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are indicative of neither the market risk nor the credit risk.

Forwards and Futures
Forwards and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market. Futures contracts are transacted in standardized amounts on regulated exchanges and are subject to daily cash margin requirements.

Options
Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or to sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

The Bank purchases and sells options through regulated exchanges and in the over-the-counter markets. Options purchased by the Bank provide the Bank with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option. The Bank is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Swaps
Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate, commodity index or equity index.

Interest rate swaps relate to contracts taken out by the Bank with other counterparties (customers and financial institutions) in which the Bank either receives or pays a floating rate of interest, respectively, in return for paying or receiving a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

The Bank has positions in the following types of derivatives:

	2024			*2023*		
	Assets LL million	***Liabilities LL million***	***Total notional amount LL million***	*Assets LL million*	*Liabilities LL million*	*Total notional amount LL million*
Derivatives held for trading						
Forward foreign exchange contracts	**2,151**	**4,433**	**1,548,138**	1,132	2,224	185,653

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Bank.

Over-the-counter derivatives may expose the Bank to the risks associated with the absence of an exchange market on which to close out an open position.

The Bank's exposure under derivative contracts is closely monitored as part of the overall management of the Bank's market risk.

Derivative financial instruments held-for-trading purposes
Most of the Bank's derivative trading activities relate to deals with customers which are normally offset by transactions with other counterparties. Also included under this heading are any derivatives entered into for risk management purposes which do not meet the IFRS 9 hedge accounting criteria.

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 *LL million*	*2023* *LL million*
Lebanese sovereign and Central Bank of Lebanon		
Treasury bills and bonds	**7,639**	1,088
Other sovereign and Central Bank of Lebanon		
Treasury bills and bonds	**-**	7,611
Private sector and other securities		
Banks and financial institutions debt instruments	**22,696,462**	3,015,312
Equity instruments	**9,090,026**	192,622
Funds	**1,479,902**	331,155
	33,266,390	3,539,089
	33,274,029	3,547,788

18 NET LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST

	2024 *LL million*	*2023* *LL million*
Commercial loans	**26,712,873**	5,450,776
Consumer loans	**23,969,211**	4,765,002
	50,682,084	10,215,778
Less: allowance for expected credit losses (note 43.2.10)	**(25,750,978)**	(5,631,933)
	24,931,106	4,583,845

In accordance with the Banking Control Commission Circular No. 240, bad loans and related provisions and unrealized interest which fulfill certain requirements have been transferred to off financial position accounts. The gross balance of these loans amounted to LL 43,737,112 million as of 31 December 2024 (2023: LL 7,033,801 million).

The Bank provided discounts to customers who settled of loans and advances. Discounts amounting to LL 249,453 million, out of which LL 43,871 million for commercial loans and LL 205,582 million for retail loans, were recognized in the separate income statement for the year ending 31 December 2024 (2023: LL 539,385 million, out of which LL 530,123 million for commercial loans and LL 9,262 million for retail loans).

19 FINANCIAL ASSETS AT AMORTIZED COST

	2024 *LL million*	*2023* *LL million*
Lebanese sovereign and Central Bank of Lebanon		
Treasury bills and bonds (*)	**596,716**	1,154,387
Certificates of deposits	**36,025,383**	11,615,819
	36,622,099	12,770,206
Other sovereign		
Treasury bills and bonds	**28,628,645**	4,490,073
Private sector and other securities		
Banks and financial institutions debt instruments	**1,467,881**	215,458
Less: allowance for expected credit losses (note 43.2.10)	**(2,269,318)**	(383,547)
	64,449,307	17,092,190

19 FINANCIAL ASSETS AT AMORTIZED COST (continued)

(*) As at 31 December 2024, Lebanese treasury bills amounting to LL 585,818 million with maturities ranging between 2025 and 2033 were pledged against term borrowing granted from the Central Bank of Lebanon with the same value (2023: LL 1,136,280 million maturing between 2024 and 2033) (note 25).

20 INVESTMENTS IN SUBSIDIARIES

	Country of origin	*Activity*	*Contribution's share*			
			2024 *%*	*2023* *%*	***2024*** ***LL million***	*2023* *LL million*
BANQUE BANORIENT France SA	France	Banking	**99.99**	99.99	**39,072,769**	6,346,371
BLOMInvest Bank SAL	Lebanon	Banking	**99.94**	99.94	**7,090,803**	1,097,525
Arope Insurance SAL	Lebanon	Insurance	**89.05**	89.05	**66,953**	241,539
BLOM Bank Qatar LLC	Qatar	Banking	**99.75**	99.75	**4,689,071**	748,954
BLOM Development Bank SAL	Lebanon	Islamic Banking	**33.31**	33.31	**555,778**	106,467
BLOM Asset Management Company SAL	Lebanon	Investment activities	**99.99**	99.99	**74,126**	74,126
BLOMInvest – Saudi Arabia	Saudi Arabia	Financial Institution	**9.50**	10.00	**1,067,680**	164,020
BLOM Securities	Jordan	Financial Institution	**100.00**	100.00	**714,294**	119,803
BLOM SPV Ltd	Cayman Island	Investment activities	**100.00**	100.00	**4,475**	750
					53,335,949	8,899,555

Financial information of the Bank's subsidiaries

	2024					
	BANQUE BANORIENT France SA LL million	***BLOM Invest Bank SAL LL million***	***Arope Insurance SAL LL million***	***BLOM Bank Qatar LLC LL million***	***Others LL million***	***Total LL million***
Total assets	**240,383,391**	**11,919,983**	**9,788,107**	**5,792,779**	**28,863,552**	**296,747,812**
Total liabilities	**201,309,788**	**4,004,875**	**9,712,921**	**1,091,957**	**14,537,634**	**230,657,175**
Net assets	**39,073,603**	**7,915,108**	**75,186**	**4,700,822**	**14,325,918**	**66,090,637**
Bank's share of net assets	**39,072,769**	**7,090,803**	**66,953**	**4,689,070**	**2,416,354**	**53,335,949**
Total operating income	**9,292,944**	**1,518,962**	**198,241**	**501,715**	**6,131,978**	**17,643,840**
Profit for the year	**4,169,743**	**2,884,780**	**(2,042,579)**	**235,996**	**1,637,106**	**6,885,046**
Bank's share of profit for the year	**4,169,654**	**2,537,950**	**(1,802,888)**	**235,406**	**683,548**	**5,823,670**

	2023					
	BANQUE BANORIENT France SA LL million	*BLOM Invest Bank SAL LL million*	*Arope Insurance SAL LL million*	*BLOM Bank Qatar LLC LL million*	*Others LL million*	*Total LL million*
Total assets	38,168,172	1,995,585	2,694,686	933,475	4,458,979	48,250,897
Total liabilities	31,821,668	815,946	2,451,069	185,180	2,295,862	37,569,725
Net assets	6,346,504	1,179,639	243,617	748,295	2,163,117	10,681,172
Bank's share of net assets	6,346,371	1,097,525	241,539	748,954	465,166	8,899,555
Total operating income	1,372,828	98,895	321,874	85,660	873,607	2,752,864
Profit for the year	572,136	184,369	-	47,890	495,277	1,299,672
Bank's share of profit for the year	582,543	232,324	-	48,399	170,742	1,034,008

20 INVESTMENTS IN SUBSIDIARIES (continued)

Financial information of the Bank's subsidiaries (continued)

	2024 ***LL million***	*2023* *LL million*
Share of other comprehensive income of subsidiaries that will be reclassified to the income statement in subsequent periods, net of tax		
Foreign currency translation	**38,042,369**	5,855,501
Share of other comprehensive income of subsidiaries that will not be reclassified to income statement in subsequent periods, net of tax		
Revaluation of land and buildings (note 35)	**1,249,646**	-
Net unrealized gains on equity instruments at fair value through other comprehensive income	**157,767**	20,335
	1,407,413	20,335

BLOMINVEST Saudi Arabia

During 2024, BLOMINVEST Saudi Arabia distributed dividends to BLOM Bank SAL for the value of US$ 766,074 (equivalent to LL 68,564 million).

21 PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS

	Freehold land and buildings LL million	***Vehicles LL million***	***Furniture, office installations and computer equipment LL million***	***Advances on acquisition of property and equipment in progress LL million***	***Right-of-use assets LL million***	***Total LL million***
Cost						
At 1 January 2024	**1,073,794**	**9,333**	**783,617**	**17,336**	**36,283**	**1,920,363**
Additions	**-**	**26,469**	**184,022**	**12,662**	**46,882**	**270,035**
Disposals	**(468,348)**	**(15,140)**	**(283,868)**	**(1,657)**	**-**	**(769,013)**
Write-offs	**-**	**-**	**(471)**	**-**	**-**	**(471)**
Transfer	**-**	**-**	**14,808**	**(14,808)**	**-**	**-**
Foreign exchange difference	**2,927,806**	**29,774**	**2,383,420**	**317**	**180,184**	**5,521,501**
At 31 December 2024	**3,533,252**	**50,436**	**3,081,528**	**13,850**	**263,349**	**6,942,415**
Depreciation						
At 1 January 2024	**170,381**	**9,190**	**654,505**	**-**	**19,217**	**853,293**
Charge for the year	**44,783**	**1,312**	**103,323**	**-**	**26,361**	**175,779**
Relating to disposals	**(23,310)**	**(15,140)**	**(283,690)**	**-**	**-**	**(322,140)**
Relating to write-offs	**-**	**-**	**(461)**	**-**	**-**	**(461)**
Foreign exchange difference	**362,106**	**29,268**	**2,217,743**	**-**	**95,435**	**2,704,552**
At 31 December 2024	**553,960**	**24,630**	**2,691,420**	**-**	**141,013**	**3,411,023**
Net carrying value						
At 31 December 2024	**2,979,292**	**25,806**	**390,108**	**13,850**	**122,336**	**3,531,392**

	Freehold land and buildings LL million	*Vehicles LL million*	*Furniture, office installations and computer equipment LL million*	*Advances on acquisition of property and equipment in progress LL million*	*Right-of-use assets LL million*	*Total LL million*
Cost						
At 1 January 2023	542,702	3,940	320,631	1,754	3,066	872,093
Additions	-	-	34,018	15,799	5,790	55,607
Disposals	-	-	(8,944)	(542)	-	(9,486)
Write-offs	-	-	(144)	-	-	(144)
Transfer	-	-	346	(365)	-	(19)
Foreign exchange difference	531,092	5,393	437,710	690	27,427	1,002,312
At 31 December 2023	1,073,794	9,333	783,617	17,336	36,283	1,920,363
Depreciation						
At 1 January 2023	97,164	3,808	240,057	-	1,504	342,533
Charge for the year	13,853	139	27,560	-	4,259	45,811
Relating to disposals	-	-	(8,923)	-	-	(8,923)
Relating to write-offs	-	-	(135)	-	-	(135)
Foreign exchange difference	59,364	5,243	395,946	-	13,454	474,007
At 31 December 2023	170,381	9,190	654,505	-	19,217	853,293
Net carrying value						
At 31 December 2023	903,413	143	129,112	17,336	17,066	1,067,070

21 PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS (continued)

Freehold land and buildings with a carrying value of LL 379,912 million (2023: LL 386,831 million) are subject to restriction on disposal.

Set out below is the breakdown of the carrying amounts of the Bank's right-of-use assets and the movements during the period:

	Head Office & warehouse LL million	***Branches LL million***	***Total LL million***
As at 1 January 2024	**3,754**	**13,312**	**17,066**
Additions	**19,534**	**27,348**	**46,882**
Foreign exchange difference	**18,674**	**66,075**	**84,749**
Depreciation expense	**(6,888)**	**(19,473)**	**(26,361)**
As at 31 December 2024	**35,074**	**87,262**	**122,336**

	Head Office & warehouse LL million	*Branches LL million*	*Total LL million*
As at 1 January 2023	497	1,065	1,562
Additions	-	5,790	5,790
Foreign exchange difference	4,448	9,525	13,973
Depreciation expense	(1,191)	(3,068)	(4,259)
As at 31 December 2023	3,754	13,312	17,066

22 INTANGIBLE ASSETS

	Key money LL million	***Software development LL million***	***Total LL million***
Cost			
At 1 January 2024	**4,134**	**36,977**	**41,111**
Additions	**-**	**128,420**	**128,420**
Foreign exchange difference	**13,127**	**110,775**	**123,902**
At 31 December 2024	**17,261**	**276,172**	**293,433**
Amortization			
At 1 January 2024	**4,134**	**32,674**	**36,808**
Charge for the year	**-**	**31,226**	**31,226**
Translation difference	**13,127**	**89,405**	**102,532**
At 31 December 2024	**17,261**	**153,305**	**170,566**
Net carrying value			
At 31 December 2024	**-**	**122,867**	**122,867**

22 INTANGIBLE ASSETS (continued)

	Key money LL million	*Software development LL million*	*Total LL million*
Cost			
At 1 January 2023	1,757	16,760	18,517
Additions	-	1,522	1,522
Foreign exchange difference	2,377	18,695	21,072
At 31 December 2023	4,134	36,977	41,111
Amortization			
At 1 January 2023	1,757	16,291	18,048
Charge for the year	-	1,871	1,871
Translation difference	2,377	14,512	16,889
At 31 December 2023	4,134	32,674	36,808
Net carrying value			
At 31 December 2023	-	4,303	4,303

23 ASSETS OBTAINED IN SETTLEMENT OF DEBT

	2024 LL million	*2023 LL million*
Cost		
At 1 January	**173,847**	49,000
Additions	**3,882,669**	11,565
Disposals	**(219,738)**	(3,079)
Transfers	**-**	(3)
Translation difference	**692,096**	116,364
At 31 December	**4,528,874**	173,847
Impairment		
At 1 January	**2,844**	599
Charge for the year (note 11)	**11,352**	-
Write-back	**-**	(377)
Translation difference	**12,604**	2,622
At 31 December	**26,800**	2,844
Net carrying value		
At 31 December	**4,502,074**	171,003

Assets obtained in settlement of debt of LL 34,193 million (2023: the same) are subject to restriction on disposal.

24 OTHER ASSETS

	2024	2023
	LL million	*LL million*
Prepayments	**203,045**	76,049
Regularization accounts (i)	**11,279**	29,648
Precious metals and stamps	**6,920**	1,764
Sundry debtors (ii)	**251,764**	36,469
Others	**208,897**	36,132
	681,905	180,062

(i) Regularization accounts

This account represents checks between head office and branches and some letters of credit and guarantees outstanding at year end.

(ii) Sundry debtors

	2024	2023
	LL million	*LL million*
Sundry debtors	**266,035**	38,971
Less: provision against sundry debtors	**(14,271)**	(2,502)
	251,764	36,469

25 DUE TO CENTRAL BANKS

	2024	2023
	LL million	*LL million*
Central Bank of Lebanon (a)	**1,385,254**	433,605
Term borrowings under leverage arrangements (b)	**585,818**	1,136,280
Central Bank of Jordan	**3,280,632**	581,151
Accrued interest payable	**62,302**	32,641
	5,314,006	2,183,677

(a) Following the Central Bank of Lebanon issued Intermediary Circulars, the Central Bank of Lebanon offered the commercial banks facilities up to a ceiling of LL 1,500 billion to be granted to customers and with a time limit ending on 15 October 2017. Facilities obtained are subject to an interest rate of 1% per annum payable on a monthly basis with the first payment due on 2 January 2018.

(b) Term borrowings under leverage arrangements with the Central Bank of Lebanon represent term borrowings denominated in Lebanese Lira, bearing an interest rate of 2% per annum and having maturities ranging between 2022 and 2033, fully invested in pledged Lebanese treasury bills and blocked term placements with Central Bank of Lebanon in Lebanese Lira earning coupon rates ranging between 6.5% per annum and 10.5%. Simultaneously the Bank has further deposited with the Central Bank of Lebanon term placements in foreign currencies at 6.5% per annum and in Lebanese Lira at 10.5% per annum (originated from the sale of foreign currencies) carrying the same maturities. During 2019, the Bank and the Central Bank of Lebanon signed a netting agreement covering only leverage arrangements that were invested in blocked term placement with the Central Bank of Lebanon in Lebanese Lira. This agreement qualifies for netting under the requirements of IAS 32.

25 DUE TO CENTRAL BANKS (continued)

Following Intermediate circular 648 issued on 1 November 2022, interest rates on term placements in local foreign currency decreased from 6.5% to 3.25%.

The below tables summarize the leverage arrangements and related financial assets subject to offsetting, and enforceable similar agreements, and whether offset is achieved in the balance sheet. The table identifies the amounts that have been offset in the balance sheet and also those amounts that are covered by enforceable netting arrangements (financial collateral) but do not qualify for netting under the requirements of IAS 32 described in the accounting policies:

	2024	*2023*
	LL million	*LL million*
Leverage arrangements		
Gross amounts	**585,818**	6,507,099
Amounts offset against [(1)]		
Placements with the Central Bank of Lebanon (note 13)	**-**	(5,370,819)
Net amounts reported on the balance sheet	**585,818**	1,136,280
Financial collateral		
Lebanese treasury bills (note 19)	**585,818**	1,136,280

[(1)] Represents amounts that can be offset under IAS 32. Placements with the Central Bank of Lebanon have also been reported on the balance sheet net of the amounts above.

As at 31 December 2024, financial assets and financial liabilities that were settled on a net basis amounted to LL 7,379,241 million (2023: LL 2,008,422 million) (note 13).

26 DUE TO BANKS AND FINANCIAL INSTITUTIONS

	2024	*2023*
	LL million	*LL million*
Current accounts	**4,552,524**	1,001,960
Time deposits	**1,288,936**	216,022
	5,841,460	1,217,982

27 DUE TO SISTER BANKS

	2024	*2023*
	LL million	*LL million*
Current accounts	**7,466,260**	1,371,648
Time deposits	**103,882**	6,681
	7,570,142	1,378,329

28 CUSTOMERS' DEPOSITS AT AMORTIZED COST

	2024 ***LL million***	*2023* *LL million*
Sight deposits	**472,906,190**	83,766,834
Time deposits	**369,217,779**	65,455,240
Saving accounts	**376,719,767**	66,347,265
Credit accounts and deposits against debit accounts	**6,404,266**	1,143,666
Margins on letters of credit	**202,188**	37,335
	1,225,450,190	216,750,340

Customers' deposits include coded deposit accounts amounting to LL 5,114 million as of 31 December 2024 (2023: LL 750 million).

29 OTHER LIABILITIES

	2024 ***LL million***	*2023* *LL million*
Accrued expenses and other regularization accounts	**1,327,747**	347,974
Bankers' drafts (*)	**7,484,559**	2,301
Current tax liability	**3,490,519**	1,432,203
Deferred tax liability	**557,323**	107,342
Sundry creditors	**1,986,238**	360,152
Lease liabilities (a)	**150,586**	21,402
Dividends payable	**9,903**	1,795
Other taxes	**487,617**	176,698
Other liabilities (b)	**2,469,903**	690,531
	17,964,395	3,140,398

(*) Bankers' drafts as at 31 December 2024 consist of checks paid to depositors that have not yet been withdrawn from the Central Bank of Lebanon or other banks. These amounted to LL 3,479,043 million as at 31 December 2023 and were reflected under balances with central banks.

(a) Set out below are the carrying amounts of lease liabilities and the movements during the year ended 31 December 2024:

	2024 ***LL million***	*2023* *LL million*
Balance at 1 January	**21,402**	2,031
Additions	**46,882**	5,790
Interest expense	**13,614**	2,178
Paid during the year	**-**	(6,785)
Reassessment during the year	**(37,606)**	-
Translation difference	**106,294**	18,188
	150,586	21,402

(b) Other liabilities include unclaimed balances on early redemption of certificates of deposit amounting to LL 2,256,027 million as of 31 December 2024 (2023: LL 381,559 million).

30 PROVISIONS FOR RISKS AND CHARGES

	2024	*2023*
	LL million	*LL million*
Retirement benefits obligation (i)	**2,635,807**	984,889
Provisions for ECL on financial guarantees and commitments	**148,470**	50,045
Provisions for risks and charges (ii)	**18,147**	3,855
Provision for foreign currency fluctuation (iii)	**10,802,656**	156
Other provisions	**-**	7,911
	13,605,080	1,046,856

(i) Retirement benefits obligation

The Bank operating in Lebanon has two defined benefit plans covering all their employees. The first requires contributions to be made to the National Social Security Fund whereby the entitlement to and level of these benefits depend on the employees' length of service, as well as on the employees' salaries and contributions paid to the fund among other requirements. Under the second plan, no contributions are required to be made, however a fixed end-of-service lump sum amount should be paid for long service employees. The entitlement to and level of these end-of-service benefits provided depend on the employees' length of service, salaries and other requirements outlined in the Workers' Collective Agreement. Defined benefit plans for employees at foreign branches are set in line with the laws and regulations of the respective countries in which these branches are located.

The movement of provision for staff retirement benefit obligations is as follows:

	2024	*2023*
	LL million	*LL million*
Balance at 1 January	**984,889**	232,625
Charge during the year (note 10)	**1,662,815**	755,498
Benefits paid	**(3,454)**	(3,234)
Transfers	**(8,443)**	-
Balance at 31 December	**2,635,807**	984,889

(ii) Provision for risk and charges

	2024	*2023*
	LL million	*LL million*
Balance at 1 January	**3,855**	1,291
Charge for the year	**113**	-
Foreign exchange difference	**14,179**	2,564
Balance at 31 December	**18,147**	3,855

(iii) Provision for foreign currency fluctuation

	2024	*2023*
	LL million	*LL million*
Balance at 1 January	**156**	156
Charge for the year (note 7)	**10,802,500**	-
Balance at 31 December	**10,802,656**	156

31 SHARE CAPITAL AND PREMIUMS

	2024		2023	
	Share capital LL million	***Share premium LL million***	*Share capital LL million*	*Share premium LL million*
Common shares – Authorized, issued and fully paid				
215,000,000 shares at LL 1,500 per share	**322,500**	**374,085**	322,500	374,085

All of the Bank's common shares are listed in the Beirut Stock Exchange starting 20 June 2008. Out of the total common shares, 73,896,010 shares are listed as Global Depository Receipts (GDRs) in the Luxembourg Stock Exchange. On 23 October 2020, the Bank announced that it has applied for the withdrawal of its Global Depositary Shares from trading on the EUROMTF and the Official List of Luxembourg Stock Exchange with effect from 24 November 2020. Moreover, the GDSs and its underlying shares will continue to trade on the Beirut Stock Exchange. Noting that the Global Depository receipt program (GDR) will continue to operate and all GDSs will remain outstanding.

In accordance with the Central Bank of Lebanon Intermediate Circular 567, 616, 676 and 726 no dividends were distributed from 2019, 2020, 2021, 2022, 2023 and 2024 profits.

32 NON DISTRIBUTABLE RESERVES

	Non- distributable general reserves LL million	*Legal reserve LL million*	*Reserve appropriated for capital increase LL million*	*Total LL million*
At 1 January 2023	1,940,407	651,338	143,506	2,735,251
Transfer to retained earnings	6,210	-	-	6,210
Appropriation of 2022 profits	30,634	1,622	1,397	33,653
At 31 December 2023	1,977,251	652,960	144,903	2,775,114
Transfer from non-distributable reserve to retained earnings	(534,014)	-	-	(534,014)
Appropriation of 2023 profits	39,247	304,234	8,954	352,435
Transfers between non-distributable reserve and reserve for increase of capital	(503,637)	-	503,637	-
At 31 December 2024	**978,847**	**957,194**	**657,494**	**2,593,535**

Non-distributable general reserves

According to the Central Bank of Lebanon Main Circular 143, Banks in Lebanon are required to transfer to "Non-distributable general reserves", the balance of "Reserve for general banking risks" and "Reserve for retail loans" previously appropriated in line with the requirements of decision 7129 and decision 7776 respectively. This reserve is part of the Bank's equity and is not available for distribution. During 2024, in accordance with the resolutions of the General Assembly of Shareholders on 30 May 2024, the Bank transferred from non-distributable general reserves to retained earnings an amount of LL 534,014 million representing amounts previously appropriated to non-distributable general reserves in excess of the regulatory amounts required. In addition, in accordance with the resolutions of the General Assembly of Shareholders on 30 May 2024, the Bank transferred from non-distributable general reserves to reserve appropriated for capital increase an amount of LL 503,637 million representing amounts previously appropriated to non-distributable general reserves that should have been appropriated to reserve for capital increase in accordance with regulatory requirements.

Legal reserve

According to the Lebanese Code of Commerce and to the Money and Credit Act, banks and companies operating in Lebanon have to transfer 10% of their annual net profit to a legal reserve. In addition, branches are also subject to legal reserve requirements based on the rules and regulations of the countries in which they operate. This reserve cannot be distributed as dividends.

During 2024, the Bank appropriated LL 304,234 million from 2023 profits to the legal reserve (2023: LL 1,622 million from 2022 profits).

Reserve appropriated for capital increase

During 2024, the Bank appropriated LL 8,954 million from 2023 profits to the reserve appropriated for capital increase in accordance with the General Assembly of Shareholders' resolution on 30 May 2024 (2023: LL 1,397 million).

33 DISTRIBUTABLE RESERVES

	2024	*2023*
	LL million	*LL million*
General reserves	**37,696**	37,696

34 TREASURY SHARES

Movement of treasury shares recognized in the separate statement of financial position is as follows:

	2024		*2023*	
	Number of shares	***Cost LL million***	*Number of Shares*	*Cost LL million*
Balance at 1 January and 31 December	**275,664**	**4,434**	275,664	4,434

The treasury shares represent 14,564 Global Depository Receipts (GDR) and 261,100 ordinary shares owned by the Bank as at 31 December 2024 (2023: the same). The market value of one GDR and one ordinary share were US$ 5.17 and US$ 6.25 respectively as of 31 December 2024 (2023: US$ 3.00 and US$ 3.50 respectively).

35 REVALUATION RESERVE OF REAL ESTATE

	2024	*2023*
	LL million	*LL million*
Revaluation reserve accepted in Tier II capital	**1,261,488**	11,842

Revaluation of Land and Buildings

One of the Bank's subsidiaries proceeded in 2024 to a revaluation of its land and buildings. The revaluation differences on land and buildings amounting to LL 1,249,646 million was reflected under "revaluation reserve of real estate" in the separate statement of financial position as at 31 December 2024 and as "revaluation gain" in the separate statement of comprehensive income during the year ended 31 December 2024, representing the Bank's portion of the revaluation (note 20). The fair value of the land and buildings was determined using the market comparable method. The valuations have been performed by independent valuers accredited by the local regulators, in Lebanon and are based on proprietary databases of prices of transactions for properties of similar nature, location and condition.

36 CASH AND CASH EQUIVALENTS

	2024	*2023*
	LL million	*LL million*
Cash and balances with central banks	**499,370,820**	63,834,485
Deposits with banks and financial institutions (whose original maturities are less than 3 months)	**44,187,429**	6,961,654
Deposits with sister banks (whose original maturities are less than 3 months)	**388,361**	91,733
	543,946,610	70,887,872
Less:		
Due to central banks	**(79,089)**	(21,011)
Due to banks and financial institutions (whose original maturities are less than 3 months)	**(4,579,830)**	(1,005,971)
Due to sister banks (whose original maturities are less than 3 months)	**(7,508,408)**	(1,371,648)
	(12,167,327)	(2,398,630)
	531,779,283	68,489,242

36 CASH AND CASH EQUIVALENTS (continued)

Cash and balances with central banks include amounts of LL162,380,607 million at 31 December 2024 (2023: LL 29,344,828 million) representing mandatory reserve deposits and balances.

Cash and cash equivalents include balances in foreign currencies that are subject to unofficial capital controls and restricted transfers outside Lebanon. Accordingly, these balances are not considered readily convertible to known amounts of cash in the denomination currency without a risk of changes in value. However, the Bank maintains their classification as cash and cash equivalents as they are freely transferrable within the Lebanese territory. These balances were as follows as at 31 December 2024 and 31 December 2023:

	2024	*2023*
	LL million	*LL million*
Cash and balances with central banks	**483,777,506**	55,390,687
Deposits with banks and financial institutions (whose original maturities are less than 3 months)	**153,075**	224,230
Deposits with sister banks (whose original maturities are less than 3 months)	**168,889**	40,343
	484,099,470	55,655,260
Less:		
Due to central banks	**(29,457)**	(16,832)
Due to banks and financial institutions (whose original maturities are less than 3 months)	**(667,125)**	(79,171)
Due to sister banks (whose original maturities are less than 3 months)	**(7,442,914)**	(1,367,072)
	(8,139,496)	(1,463,075)
	475,959,974	54,192,185

37 DIVIDENDS DECLARED AND PAID

In accordance with the Central Bank of Lebanon intermediary circulars 567, 616, 676 and 726, the Board of Directors does not propose the payment of dividends for the years ended 2019, 2020, 2021, 2022, 2023 and 2024.

38 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values in this note are stated at a specific date and may be different from the amounts which will actually be paid on the maturity or settlement dates of the instrument. In many cases, it would not be possible to realize immediately the estimated fair values given the size of the portfolios measured. Accordingly, these fair values do not represent the value of these instruments to the Bank as a going concern. Financial assets and liabilities are classified according to a hierarchy that reflects the significance of observable market inputs. The three levels of the fair value hierarchy are defined below.

Quoted market prices – Level 1
Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputs – Level 2
Financial instruments classified as Level 2 have been valued using models whose most significant inputs are observable in an active market. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets, and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads.

38 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Valuation technique using significant unobservable inputs – Level 3
Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price. Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

Effects of exchange rates on the fair value measurements:
The fair value disclosures for other assets and liabilities are first determined in their original currency, which is not the Lebanese Lira in the case of most of the assets and liabilities reported below. These are then translated to Lebanese Lira at the official published exchange rate as discussed in note 1 to the separate financial statements. This matter should be taken into consideration when interpreting the fair value disclosures in this note, especially those under Level 1 and Level 2.

Fair value measurement hierarchy of the financial assets and liabilities carried at fair value:

	2024			
	Valuation techniques			
	Level 1 LL million	***Level 2 LL million***	***Level 3 LL million***	***Total LL million***
FINANCIAL ASSETS				
Derivative financial instruments:				
Forward foreign exchange contracts	**-**	**2,151**	**-**	**2,151**
Financial assets at fair value through profit or loss:				
Treasury bills and bonds	**7,343**	**296**	**-**	**7,639**
Banks and financial institutions debt instruments	**22,696,462**	**-**	**-**	**22,696,462**
Equity instruments	**9,003,809**	**86,216**	**-**	**9,090,025**
Funds	**-**	**-**	**1,479,902**	**1,479,902**
Financial assets at fair value through other comprehensive income:				
Equity instruments	**203,999**	**52,007**	**-**	**256,006**

	2023			
	Valuation techniques			
	Level 1 LL million	*Level 2 LL million*	*Level 3 LL million*	*Total LL million*
FINANCIAL ASSETS				
Derivative financial instruments:				
Forward foreign exchange contracts	-	1,132	-	1,132
Financial assets at fair value through profit or loss:				
Treasury bills and bonds	8,393	306	-	8,699
Banks and financial institutions debt instruments	2,984,652	30,660	-	3,015,312
Equity instruments	164,896	27,726	-	192,622
Funds	-	-	331,155	331,155
Financial assets at fair value through other comprehensive income:				
Equity instruments	8,072	31,216	-	39,288

There were no transfers between levels during 2024 (2023: the same).

Valuation techniques used for material classes of financial assets and liabilities categorized within Level 2 and Level 3:

Derivatives
Derivative products are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates.

Funds and Equity Shares of Non-listed Entities
Units held in funds are measured based on their net asset value (NAV), taking into account redemption and/or other restrictions. Classification between Level 2 and Level 3 is dependent on whether the NAV is observable or unobservable (i.e., recent and published by the fund administrator or not).

38 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Valuation techniques used for material classes of financial assets and liabilities categorized within Level 2 and Level 3: (continued)

Funds and Equity Shares of Non-listed Entities (continued)

Equity shares of non-listed entities are investments in private companies, for which there is no or only limited sufficient recent information to determine fair value. The Bank determined that cost adjusted to reflect the investee's financial position and results since initial recognition represents the best estimate of fair value. Classification between Level 2 and Level 3 is based on whether the financial statements of the investee are recent and published or not. These instruments are fair valued using third-party information (NAV or financial statements of non-listed entities), without adjustment. Accordingly, quantitative information about significant unobservable inputs and sensitivity analysis cannot be developed by the Bank in accordance with IFRS 13.93 (d).

Comparison of carrying and fair values for financial assets and liabilities not held at fair value:

The fair values included in the table below were calculated for disclosure purposes only. The fair valuation techniques and assumptions described below relate only to the fair value of the Bank's financial instruments not measured at fair value. Other institutions may use different methods and assumptions for their fair value estimations, and therefore such fair value disclosures cannot necessarily be compared from one institution to another.

Financial assets and liabilities concentrated in Lebanon

These assets and liabilities consist of balances with the Central Bank of Lebanon and Lebanese Banks, Lebanese government securities, loans and advances to customers and related parties, due to the Central Bank of Lebanon and Lebanese Banks, customers and related parties deposits, and debt issued and other borrowed funds. These are illiquid in nature and the measurement of their fair value is usually determined through discounted cash flow valuation models using observable market inputs, comprising of interest rates and yield curves, implied volatilities, and credit spreads. Due to the situation described in note 1 to the separate financial statements and the unprecedent levels of uncertainty surrounding the economic crisis that Lebanon, and particularly the banking sector, is experiencing, management is unable to produce faithful estimation of the fair value of these financial assets and liabilities. The carrying value of the Bank's other financial instruments (not concentrated in Lebanon) not measured at fair value is reasonable approximation of their fair value.

Financial Assets and Liabilities not concentrated in Lebanon

The fair values of financial assets and liabilities not concentrated in Lebanon that are not held at fair value are as follows:

31 December 2024	***Carrying value***	***Fair value***			
		Level 1	***Level 2***	***Level 3***	***Total***
	LL million	***LL million***	***LL million***	***LL million***	***LL million***
FINANCIAL ASSETS					
Cash and balances with central banks	**9,643,850**	-	**9,643,850**	-	**9,643,850**
Due from banks and financial institutions	**47,694,120**	-	**47,694,605**	-	**47,694,605**
Due from head office, parent, and sister banks/companies	**179,956**	-	**179,956**	-	**179,956**
Net loans and advances to customers at amortized cost	**22,341,535**	-	**22,361,750**	-	**22,361,750**
Financial assets at amortized cost	**29,319,932**	-	**29,801,830**	-	**29,801,830**
FINANCIAL LIABILITIES					
Due to banks and financial institutions	**4,363,259**	-	**4,416,087**	-	**4,416,087**
Due to head office, parent, and sister banks/companies	**63,027**	-	**63,027**	-	**63,027**
Customers' deposits at amortized cost	**43,850,264**	-	**44,495,587**	-	**44,495,587**
Deposits from related parties at amortized cost	**5,259,363**	-	**5,278,490**	-	**5,278,490**

31 December 2023	*Carrying value*	*Fair value*			
		Level 1	*Level 2*	*Level 3*	*Total*
	LL million	*LL million*	*LL million*	*LL million*	*LL million*
FINANCIAL ASSETS					
Cash and balances with central banks	1,580,845	-	1,581,638	-	1,581,638
Due from banks and financial institutions	1,735,126	-	1,735,287	-	1,735,287
Due from head office, parent, and sister banks/companies	127,660	-	127,660	-	127,660
Net loans and advances to customers at amortized cost	3,784,862	-	3,788,967	-	3,788,967
Financial assets at amortized cost	4,577,623	-	4,641,383	-	4,641,383
FINANCIAL LIABILITIES					
Due to banks and financial institutions	927,501	-	932,258	-	932,258
Due to head office, parent, and sister banks/companies	63,077	-	63,077	-	63,077
Customers' deposits at amortized cost	7,448,404	-	7,555,007	-	7,555,007
Deposits from related parties at amortized cost	889,844	-	893,076	-	893,076

38 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Assets and liabilities for which fair value is disclosed using a valuation technique with significant observable inputs (Level 2) and / or significant unobservable inputs (Level 3)

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months), the Bank assumed that the carrying values approximate the fair values. This assumption is also applied to demand deposits which have no specific maturity and financial instruments with variable rates.

Deposits with banks and loans and advances to banks
For the purpose of this disclosure there is minimal difference between fair value and carrying amount of these financial assets as they are short-term in nature or have interest rates that re-price frequently. The fair value of deposits with longer maturities are estimated using discounted cash flows applying market rates for counterparties with similar credit quality.

Government bonds, certificates of deposit and other debt securities
The Bank values these unquoted debt securities using discounted cash flow valuation models where the lowest level input that is significant to the entire measurement is observable in an active market. These inputs include assumptions regarding current rates of interest and credit spreads.

Loans and advances to customers
For the purpose of this disclosure, fair value of loans and advances to customers is estimated using discounted cash flows by applying current rates for new loans granted during the year with similar remaining maturities and to counterparties with similar credit quality.

Deposits from banks and customers
In many cases, the fair value disclosed approximates carrying value because these financial liabilities are short-term in nature or have interest rates that re-price frequently. The fair value for deposits with long-term maturities, such as time deposits, are estimated using discounted cash flows, applying either market rates or current rates for deposits of similar remaining maturities.

39 CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS

Credit – related commitments
To meet the financial needs of customers, the Bank enters into various commitments, guarantees, and other contingent liabilities, which are mainly credit-related instruments including both financial and non-financial guarantees and commitments to extend credit. Even though these obligations may not be recognized on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank. The table below discloses the nominal principal amounts of credit-related commitments and contingent liabilities. Nominal principal amounts represent the amount at risk should the contracts be fully drawn upon and clients default. As a significant portion of guarantees and commitments is expected to expire without being withdrawn, the total of the nominal principal amount is not indicative of future liquidity requirements.

39 CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS (continued)

Credit – related commitments (continued)

		2024	
	Banks LL million	***Customers LL million***	***Total LL million***
Guarantee and contingent liabilities			
Financial guarantees	**819,265**	**5,117,176**	**5,936,441**
Other guarantees	**-**	**2,102,223**	**2,102,223**
	819,265	**7,219,399**	**8,038,664**
Commitments			
Documentary credits	**356,014**	**-**	**356,014**
Loan commitments	**-**	**5,275,998**	**5,275,998**
Of which revocable	**-**	***4,466,427***	***4,466,427***
Of which irrevocable	**-**	***809,571***	***809,571***
Securities pledged with the Central Bank of Lebanon	**1,811,983**	**-**	**1,811,983**
Other commitments	**42,615**	**288,191**	**330,806**
	2,210,612	**5,564,189**	**7,774,801**

		2023	
	Banks LL million	*Customers LL million*	*Total LL million*
Guarantee and contingent liabilities			
Financial guarantees	98,986	1,651,914	1,750,900
Other guarantees	8,820	657,740	666,560
	107,806	2,309,654	2,417,460
Commitments			
Documentary credits	58,012	-	58,012
Loan commitments	-	1,710,076	1,710,076
Of which revocable	-	*725,579*	*725,579*
Of which irrevocable	-	*984,497*	*984,497*
Securities pledged with the Central Bank of Lebanon	1,691,498	-	1,691,498
Other commitments	10,506	56,020	66,526
	1,760,016	1,766,096	3,526,112

Financial guarantees
Guarantees are given as security to support the performance of a customer to third parties. The main types of guarantees provided are:

- Financial guarantees given to banks and financial institutions on behalf of customers to secure loans, overdrafts, and other banking facilities; and
- Other guarantees are contracts that have similar features to the financial guarantee contracts but fail to meet the strict definition of a financial guarantee contract under IFRS Accounting Standards. These mainly include performance guarantees, advance payment guarantees and tender guarantees.

Documentary credits
Documentary credits commit the Bank to make payments to third parties, on production of documents which are usually reimbursed immediately by customers.

39 CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS (continued)

Credit – related commitments (continued)

Loan commitments
Loan commitments are defined amounts (unutilized credit lines or undrawn portions of credit lines) against which clients can borrow money under defined terms and conditions.

Revocable loan commitments are those commitments that can be unconditionally cancelled at any time subject to notice requirements according to their general terms and conditions. Irrevocable loan commitments result from arrangements where the Bank has no right to withdraw the loan commitment once communicated to the beneficiary.

Legal claims
Litigation is a common occurrence in the banking industry due to the nature of the business. At year-end, the Bank had several unresolved legal claims in Lebanon and abroad, mainly those relating to the restrictive measures in place with respect to the withdrawal of funds and transfers abroad and a civil action filed in US federal courts in the US District Court in the Eastern District of New York (EDNY).

The extent of the impact of these matters cannot always be predicted but may materially impact the Bank's operations, financial results, condition and prospects. However, once professional advice has been obtained and the amount of damages reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. Based on advice from legal counsel, and despite the novelty of certain claims and the uncertainties inherent in their unique situation, Management believes that legal claims will not result in any material financial loss to the Bank, however they may have an impact on the liquidity of the Bank.

Capital commitments
Capital expenditure that were not provided for as of the separate statement of financial position date are as follows:

	2024	*2023*
	LL million	*LL million*
Capital commitments		
Property and equipment purchases	**4,833**	50,528

Other commitments and contingencies
The Bank's books in Lebanon for the years 2015 to 2017 (inclusive) have been reviewed by the tax authorities. The books of HSBC Bank Middle East Limited – Lebanon Branch were reviewed by the tax authorities from the years 2015 till 31 October 2017 (inclusive). The tax authorities have issued a final report on 1 August 2022 and 26 July 2023 resulting in additional taxes of LL 30,287 million and USD 578,437. The Bank's books in Lebanon are currently under review for the years 2018 and 2019 and remain subject to the review of the tax authorities for the years up to 2024 (inclusive).

The books of the Head Office and Lebanese Branches of the Bank remain subject to review by the National Social Security Fund (NSSF) for the period from 1 October 2020 to 31 December 2024 (inclusive).

In addition, the books and records of the foreign branches of the Bank are subject to review by the tax and social security authorities in the countries in which they operate.

Management believes that adequate provisions were recorded against possible review results to the extent that they can be reliably estimated.

40 ASSETS HELD IN CUSTODY AND UNDER ADMINISTRATION

Assets held in custody and under administration include client assets managed or deposited with the Bank. For the most part, the clients decide how these assets are to be invested.

	2024	*2023*
	LL million	*LL million*
Assets held in custody and under administration	**172,693,511**	21,397,042

The Bank provides safekeeping and servicing activities on behalf of clients, in addition to various support functions including the valuation of portfolios of securities and other financial assets, which complements the custody business.

41 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operation decisions, or one other party controls both. The definition includes subsidiaries, key management personnel and their close family members, as well as entities controlled or jointly controlled by them.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly.

Loans to related parties, (a) were made in the ordinary course of business, (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with others and (c) did not involve more than a normal risk of collectability or present other unfavorable features.

Subsidiaries
A list of the Bank’s principal subsidiaries is shown in note 20. Transactions between the Bank and its subsidiaries meet the definition of related party transactions.

The following table provides the total amount of transactions and the amount of outstanding balances (including commitments) with related parties for the relevant financial year.

	Outstanding balance as at 31 December 2024				
	Key management personnel LL million	***Subsidiaries LL million***	***Other related parties LL million***	***Expected credit losses LL million***	***Net LL million***
Deposits	**310,722**	**1,068,601**	**1,213,942**	**-**	**2,593,265**
Net loans and advances	**149,663**	**-**	**5**	**-**	**149,668**
Due from sister banks	**-**	**417,139**	**-**	**-**	**417,139**
Due to sister banks	**-**	**7,570,142**	**-**	**-**	**7,570,142**
Guarantees given	**358**	**1,125,640**	**98,899**	**-**	**1,224,897**
Commitments given	**-**	**181,914**		**-**	**181,914**
Guarantees received	**-**	**326,754**	**-**	**-**	**326,754**
Commitments received	**-**	**14,020**	**-**	**-**	**14,020**

41 RELATED PARTY TRANSACTIONS (continued)

	Outstanding balance as at 31 December 2023				
	Key management personnel LL million	*Subsidiaries LL million*	*Other related parties LL million*	*Expected credit losses LL million*	*Net LL million*
Deposits	54,792	418,365	405,490	-	878,647
Net loans and advances	16,338	-	118	(65)	16,391
Due from sister banks	-	96,619	-	-	96,619
Due to sister banks	-	1,378,329	-	-	1,378,329
Guarantees given	60	202,642	16,693		219,395
Commitments given	-	4,649	-	-	4,649
Guarantees received	-	2,076,623	-	-	2,076,623
Commitments received	-	2,504	-	-	2,504

	Revenues and expenses for the year ended 31 December 2024			
	Key management Personnel LL million	***Subsidiaries LL million***	***Other related parties LL million***	***Total LL million***
Interest paid on deposits	**574**	**35,515**	**180**	**36,269**
Interest received from net loans and advances	**14,210**	**15**	**93**	**14,318**
Insurance expenses	**-**	**286,039**	**-**	**286,039**
Rent expense	**-**	**8,941**	**-**	**8,941**
Interest revenues	**-**	**8,058**	**-**	**8,058**
Interest expenses	**-**	**5,981**	**-**	**5,981**
Commission income	**-**	**28,673**	**-**	**28,673**
Accounting services revenues	**-**	**-**	**-**	**-**

	Revenues and expenses for the year ended 31 December 2023			
	Key management Personnel LL million	*Subsidiaries LL million*	*Other related parties LL million*	*Total LL million*
Interest paid on deposits	216	20,202	32	20,450
Interest received from net loans and advances	3,026	5	72	3,103
Insurance expenses	-	75,693	-	75,693
Rent expense	-	6,106	-	6,106
Interest revenues	-	19,327	-	19,327
Interest expenses	-	3,780	-	3,780
Commission income	-	6,415	-	6,415
Accounting services revenues	-	-	12	12

Compensation of the Key Management Personnel of the Bank

	2024 LL million	*2023 LL million*
Short-term benefits	**441,750**	71,521
Post-employment benefits during the year, net	**318,508**	27,406

Financial assets in custody of BLOMINVEST Bank SAL amounted to LL 31,796,066 million (2023: LL 3,110,061 million). During 2024, BLOMINVEST Bank SAL rendered services to the Bank in relation with these assets at no charge (2023: the same).

42 RISK MANAGEMENT

The Bank 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.
- 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.
- Liquidity risk: the risk that the Bank cannot meet its financial obligations when they come due in a timely manner and at reasonable cost.
- 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 Bank include concentration risk, reputation risk, legal risk, political risk and business/strategic risk.

The Bank manages its business activities within risk management guidelines as set by the Bank's "Risk Management Policy" approved by the Board of Directors. The Bank recognizes the role of the Board of Directors and executive management in the risk management process as set out in the Banking Control Commission circular 242. In particular, it is recognized that ultimate responsibility for establishment of effective risk management practices and culture lies with the Board of Directors as does the establishing of the Bank's risk appetite and tolerance levels. The Board of Directors delegates through its Risk Management Committee the day–to–day responsibility for establishment and monitoring of risk management process across the Bank to the Group Chief Risk Officer, who is directly appointed by the Board of Directors, in coordination with executive management at BLOM Bank SAL.

The Board's Risk Management Committee has the mission to periodically (1) review and assess the risk management function of the Bank, (2) review the adequacy of the Bank's capital and its allocation within the Bank, and (3) review risk limits and reports and make recommendations to the Board.

The Group Chief Risk Officer undertakes his responsibilities through the "Group Risk Management Division" in Beirut which also acts as Group Risk Management, overseeing and monitoring risk management activities throughout the Bank. The Group Chief Risk Officer is responsible for establishing the function of Risk Management and its employees across the Bank.

BLOM Bank's Risk Management aids executive management in monitoring, controlling and actively managing and mitigating the Bank's overall risk. The Division mainly ensures that:

- Risk practices are fit for purpose and aligned with best practices as far as practicable.
- Risk policies and methodologies are consistent with the Bank's risk appetite.
- Limits and risk across banking activities are monitored and managed throughout the Bank.

Through a comprehensive risk management framework, transactions and outstanding risk exposures are quantified and compared against authorized limits, whereas non-quantifiable risks are monitored against policy guidelines as set by the Bank's "Risk Management Policies". Any discrepancies, breaches or deviations are escalated to executive senior management in a timely manner for appropriate action.

In addition to the Bank's Risk Management in Lebanon, risk managers and / or risk officers were assigned within the Bank's foreign subsidiaries or branches to report to the Group Risk Management and executive senior management in a manner that ensures:

- Standardization of risk management functions and systems developed across the Bank.
- Regional consistency of conducted business in line with the board's approved risk appetite.

The major objective of risk management is the implementation of sound risk management practices and the Basel frameworks as well as all related regulatory requirements within the Bank. The Bank has documented a Board approved Disclosure Policy.

43 CREDIT RISK

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations, including the full and timely payment of principal and interest. Credit risk arises from various balance sheet and off-balance sheet exposures including interbank, loans and advances, credit commitments, financial guarantees, letters of credit, acceptances, investments in debt securities (including sovereign) and derivative financial instruments. Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the separate statement of financial position.

43.1 Credit risk management

Credit risk appetite and limits are set at the Bank level by the Board and are cascaded to the entities, which in turn formulate their own limits in line with the Bank’s risk appetite. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

Credit risk is monitored by the Bank’s credit risk department, which is responsible for assisting the Bank in establishing a credit risk management culture that promotes good analysis, judgements, flexibility and balance between risk and reward.

The Bank has established various credit quality review processes to provide early identification of possible changes in the creditworthiness of counterparties, including regular revisions of credit files, including ratings and collateral quality. The credit quality review process allows the Bank early detections of changes in assets quality, estimate the potential loss and take early corrective actions.

As part of its credit risk governance structure, the Bank has established credit committees for the approval and renewal of credit facilities. Credit committees are responsible for the approval of facilities up to the limit assigned to them, which depends on the size of the exposure and the obligor’s creditworthiness as measured by his internal rating. Once approved, facilities are disbursed when all the requirements set by the respective approval authority are met and documents intended as security are obtained and verified by the Credit Administration function.

Starting 2019, the 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. In order to address the challenging operating conditions, the Bank has implemented a series of remedial actions that included: i) risk deleveraging by reducing its assets size, ii) increasing collection capacity across various business lines, iii) increasing specific and collective provision coverages, and iv) setting-up an independent, centralised and specialised remedial function to proactively manage borrowers showing weak or deteriorating credit profiles and not yet classified Stage 3.

43.2 Expected credit losses (ECL)

43.2.1 Governance and oversight of expected credit losses

The Bank’s IFRS 9 Impairment Committee, which is a committee composed of Executive Committee members, oversees the ECL estimation framework by: i) approving the IFRS 9 impairment policy, ii) reviewing key assumptions and estimations that are part of the ECL calculations; iii) approving the forward-looking economic scenarios; iv) approving staging classifications on a name-by-name basis for material exposures and v) reviewing ECL results.

Impairment policy requirements are set and reviewed regularly, at a minimum annually, to maintain adherence to accounting standards and evolving business models. Key judgements inherent in policy, including the estimated life of revolving credit facilities and the quantitative criteria for assessing the Significant Increase in Credit Risk (SICR), are assessed through a combination of expert judgements and data-driven methodologies.

43 CREDIT RISK (continued)

43.2 Expected credit losses (ECL) (continued)

43.2.1 Governance and oversight of expected credit losses (continued)
ECL is estimated using a model that takes into account borrowers' exposure, internal risk rating, facility characteristic macroeconomy, and collateral information among others. Models are, by their nature, relying on minimal required historical data as well as incorporating expert opinion are subject to biased output thus, the Bank has established a systematic approach for the development, validation, approval, implementation and on-going use of the models. Models are statistically validated by a qualified independent party to the model development unit, before first use and at a minimum annually thereafter. Each model is designated an owner who is responsible for:

- Monitoring the performance of the model, which includes comparing estimated ECL versus actual ECL; and
- Proposing post-model development calibration to enhance model's accuracy or to account for situations where known or expected risk factors and information have not been considered in the modelling process.

Each model used in the estimation of ECL, including key inputs, are governed by a series of internal controls, which include the validation of completeness and accuracy of data, reconciliation with Finance data, and documentation of the calculation steps.
ECL estimation takes into account a range of future economic scenarios, which are set using mathematical models and expert judgements. Economic scenarios are prepared on a frequent basis, at a minimum annually, to align with the Bank's medium-term planning exercise, but also in the event of significant change in the prevailing economic conditions. The scenario probability weights are also updated when the scenarios are updated.

43.2.2 Definition of default and cure
The Bank considers a financial instrument defaulted for ECL calculations when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank.
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

As a part of a qualitative assessment of whether a customer is in default, the Bank carefully considers whether the events listed above should result in classifying the exposures in Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for a specific period of time and after obtaining the approval of the Credit Committee. The decision whether to classify an asset as Stage 2 or Stage 1 once cured is dependent on the absence of SICR criteria compared to initial recognition and is examined on a case by case basis. In case of forbearance under Stage 2, the borrower remains in this stage until all the following conditions have been met: i) at least a 12-month probation period has passed, ii) three consecutive payments under the new repayment schedule have been made, iii) the borrower has no past dues under any obligation to the Bank, and iv) all the terms and conditions agreed to as part of the restructuring have been met.

43 CREDIT RISK (continued)

43.2 Expected credit losses (ECL) (continued)

43.2.3 The Bank's internal rating and PD estimation process

Central Banks, Sovereigns and Financial Institutions
For central banks, sovereigns and financial institutions' exposures, ratings from recognised external rating agencies are used and mapped to their corresponding PDs as reported by these agencies. These ratings with their corresponding PDs are monitored and updated on a regular basis. With respect to exposures to the Central Bank of Lebanon and Lebanese sovereign, Intermediate Circular 649 issued on 24 November 2022 modified the regulatory ECLs levels, previously set in its Intermediate Circular 567. Regulatory ECL on exposures to Lebanese sovereign bonds in foreign currency was increased from 45% to 75%, while regulatory ECLs on exposures to Lebanese sovereign bonds in local currency, exposures to the Central Bank of Lebanon in foreign currency and exposures to the Central Bank of Lebanon in local currency remained unchanged (0%, 1.89% and 0% respectively). 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, among other, the exposures to the Central Bank of Lebanon, the Bank was unable to estimate in a reasonable manner ECL on this exposure. As at 31 December 2024, loss allowances on assets held at the Central Bank of Lebanon recorded in these separate financial statements amounted to LL 103,749 billion against gross exposure of LL 1,236,424 billion (2023: LL 17,388 billion against LL 211,082 billion). In addition, as at 31 December 2024, loss allowances on Certificates of deposits under financial assets at amortized cost recorded in these separate financial statements amounted to LL 1,977 billion against gross exposure of LL 36,025 billion (2023: LL 331 billion against LL 11,615 billion). To note that the Bank disposed of the majority of its holding of Lebanese Sovereign Bonds in foreign currency during 2020.

Non-consumer loans
The Credit Risk function, which is independent from business lines, is responsible for the development of internal rating models, and for the estimation of Probability of Default (PD) and Loss Given Default (LGD). The Bank uses an internal rating scale comprised of 10 performing grades and 3 non-performing grades. The grades generated by internal rating models are mapped to PDs using historical default observations. The mapping of rating to PD, which is done initially on a through-the-cycle basis is then adjusted to a point-in-time basis in line with IFRS 9 requirements.

These internal rating models for the Bank's key lending portfolios including Corporate and SME obligors incorporate both qualitative and quantitative criteria such as:

- Historical and projected financial information including debt service coverage, operations, liquidity and capital structure;
- Account behavior, repayment history and outside and other non-financial information such as management quality, company standing and industry risk;
- Moody's Rating Agency publicly available information related to the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports and other market disclosures; and
- Any other objectively supportable information on the obligor's willingness and capacity of repayment.

Internal ratings are initially assigned by the credit origination functions (i.e. business lines) and are approved and validated by the Credit Review and Credit Risk function, which are independent from business lines. Credit Review and Credit Risk functions are responsible for ensuring that ratings assigned to obligors are accurate and updated at all times.

Consumer loans
Consumer lending comprises mainly of personal loans, credit cards, car loans and housing loans. These products are rated by an automated scorecard tool primarily driven by days past due.

The Bank also relies on account behavior to predict the probability of default within a specific timeframe. This is primarily based on the repayment history of consumer borrowers.

43 CREDIT RISK (continued)

43.2 Expected credit losses (ECL) (continued)

43.2.3 The Bank's internal rating and PD estimation process (continued)

Consumer loans (continued)
For the estimation of expected losses for consumer products, the Bank uses currently the loss rate approach by product based on the net flow of exposures from one days-past-due bucket to another. This estimation incorporates by a forward-looking component in line with the IFRS9 standard. For Blom Jordan Consumer products, PD-LGD approach is adopted.

43.2.4 Exposure at default
EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable.

43.2.5 Loss given default
LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD based on the history of recovery rates of claims against defaulted counterparties. It is estimated using information on the counterparty and collateral type including recovery costs. For portfolios in respect of which the Bank has limited historical data, credit expert opinion benchmarked against related regulators is used to supplement the internally available data.

43.2.6 Significant increase in credit risk
The Bank continuously monitors all its credit risk exposures. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition, using reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment including forward-looking information. The Bank's assessment of significant increase in credit risk is being performed at least quarterly based on the following:

Non-Consumer loans
Migration of obligor risk rating by a certain number of notches from origination to reporting date as a key indicator of the change in the risk of default at origination with the risk of default at reporting date.

Consumer loans
Thresholds have been based on historical default rates and historical payment behavior to determine significant increase in credit risk.

Qualitative criteria
For non-Consumer loans, the Bank also considers in its assessment of significant increase in credit risk, various qualitative factors including significant adverse changes in the business condition, restructuring due to credit quality weakness during the past 12-months, classification of an exposure under the "Follow-up and arrange" supervisory classification. For Consumer loans, the Bank considers specific events that might be indicative of a significant increase in credit risk such as the event of restructuring.

A financial instrument considered to have experienced a significant increase in credit risk if the instruments is more than 90 days past due on its contractual payments. Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired at the reporting date.

Downgrade from stage 2 to stage 3 is based on whether financial assets are credit-impaired at the reporting date.

43 CREDIT RISK (continued)

43.2 Expected credit losses (ECL) (continued)

43.2.7 Expected life

With the exception of credit cards and other revolving facilities the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier. With respect to credit cards and other revolving facilities, the Bank does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Bank's expectations of the customer behavior, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities.

43.2.8 Forward looking information

The Bank incorporates forward-looking information at the level of Probability of Default.

On the PD level, the Bank formulates three economic scenarios: a base case, which is the median scenario assigned with a certain probability of occurring, and two other scenarios, one upside and one downside, each assigned a specific chance of occurring, then, a weighted average PD is generated and used for the calculation of the ECL.

External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, organizations such as World Bank and the International Monetary Fund, IIF and selected private-sector and academic forecasters. A team of specialists within the Bank's Credit Risk Department verifies the accuracy of inputs to the Bank's ECL models including determining the weights attributable to the multiple scenarios of the PD.

The Bank seeks the highest correlation between macro-economic variables and historical PDs for each portfolio to identify the key divers for Point in Time Probability of default which is translated into the ECL. Using an analysis of historical data, the Bank has estimated relationships between this macro-economic variable and credit losses. The ECL estimates have been assessed for sensitivity to changes to forecasts of the macro-variable and also together with changes to the weights assigned to the scenarios. For the Bank's various countries of operations, excluding Lebanon, the impact on ECL is not material.

In Lebanon, given the prevailing high uncertainties and challenges, ECLs estimation remains subject to high volatility (including from changes to macroeconomic variable forecasts) especially in the event of a prolonged crisis and continued deterioration in the economic conditions. It is not practical at this time to determine and provide sensitivity analysis that is reasonably possible.

43.2.9 Modified and forborne loans

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy set out in the *Material accounting policies* above.

When modification results in derecognition, a new loan is recognized and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both consumer and corporate loans are subject to the forbearance policy.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk.

43 CREDIT RISK (continued)

43.2 Expected credit losses (ECL) (continued)

43.2.9 Modified and forborne loans (continued)

The table below includes Stage 2 and 3 assets that were modified and, therefore, treated as forborne during the period, with the related modification loss suffered by the Bank.

	2024	*2023*
	LL million	*LL million*
Amortized costs of financial assets modified during the period	**220,620**	60,041

There are no previously modified financial assets for which loss allowance has changed to 12mECL measurement as at 31 December 2024 and 31 December 2023. There are no previously modified financial assets for which loss allowance had changed to 12mECL measurement and reverted to LTECL as at 31 December 2024 and 31 December 2023.

43 CREDIT RISK (continued)

43.2 Expected credit losses (ECL) (continued)

43.2.10 Financial assets and ECLs by stage

The tables below present an analysis of financial assets at amortized cost by gross exposure and impairment allowance by stage allocation as at 31 December 2024 and 2023. The Bank does not hold any material purchased or originated credit-impaired assets as at year-end.

	Gross exposure				*Impairment allowance*				*Net*
	Stage 1	*Stage 2*	*Stage 3*	*Total*	*Stage 1*	*Stage 2*	*Stage 3*	*Total*	*exposure*
31 December 2024	*LL million*	*LL million*	*LL million*	*LL million*	*LL million*	*LL million*	*LL million*	*LL million*	*LL million*
Balances with central banks	**9,645,365**	**1,236,423,635**	**-**	**1,246,069,000**	**-**	**103,749,419**	**-**	**103,749,419**	**1,142,319,581**
Due from banks and financial institutions	**47,769,150**	**-**	**-**	**47,769,150**	**1,920**	**-**	**-**	**1,920**	**47,767,230**
Due from sister banks	**417,139**	**-**	**-**	**417,139**	**-**	**-**	**-**	**-**	**417,139**
Loans and advances to customers at amortized cost	**21,013,769**	**4,021,338**	**25,646,977**	**50,682,084**	**1,686,755**	**549,972**	**23,514,251**	**25,750,978**	**24,931,106**
Commercial loans	***7,097,444***	***900,175***	***18,715,254***	***26,712,873***	***962,235***	***90,736***	***17,369,061***	***18,422,032***	***8,290,841***
Consumer loans	***13,916,325***	***3,121,163***	***6,931,723***	***23,969,211***	***724,520***	***459,236***	***6,145,190***	***7,328,946***	***16,640,265***
Loans and advances to related parties at amortized cost	**149,668**	**-**	**-**	**149,668**	**-**	**-**	**-**	**-**	**149,668**
Debtors by acceptances	**38,994**	**9**	**-**	**39,003**	**2,598**	**-**	**-**	**2,598**	**36,405**
Financial assets at amortized cost	**29,802,112**	**36,622,098**	**294,415**	**66,718,625**	**281**	**1,977,422**	**291,615**	**2,269,318**	**64,449,307**
Financial guarantees and other commitments	**13,321,950**	**330,243**	**18,483**	**13,670,676**	**137,815**	**7,438**	**3,217**	**148,470**	**13,522,206**
Total	**122,158,147**	**1,277,397,323**	**25,959,875**	**1,425,515,345**	**1,829,369**	**106,284,251**	**23,809,083**	**131,922,703**	**1,293,592,642**

	Gross exposure				*Impairment allowance*				*Net*
	Stage 1	*Stage 2*	*Stage 3*	*Total*	*Stage 1*	*Stage 2*	*Stage 3*	*Total*	*exposure*
31 December 2023	*LL million*	*LL million*	*LL million*	*LL million*	*LL million*	*LL million*	*LL million*	*LL million*	*LL million*
Balances with central banks	1,678,272	211,082,267	-	212,760,539	-	17,388,171	-	17,388,171	195,372,368
Due from banks and financial institutions	7,360,344	-	-	7,360,344	1,757	-	-	1,757	7,358,587
Due from sister banks	96,619	-	-	96,619	-	-	-	-	96,619
Loans and advances to customers at amortized cost	4,121,966	764,879	5,328,933	10,215,778	550,959	110,236	4,970,738	5,631,933	4,583,845
Commercial loans	*1,177,203*	*327,286*	*3,946,287*	*5,450,776*	*198,446*	*24,976*	*3,662,684*	*3,886,106*	*1,564,670*
Consumer loans	*2,944,763*	*437,593*	*1,382,646*	*4,765,002*	*352,513*	*85,260*	*1,308,054*	*1,745,827*	*3,019,175*
Loans and advances to related parties at amortized cost	16,456	-	-	16,456	65	-	-	65	16,391
Debtors by acceptances	4,624	2	-	4,626	616	-	-	616	4,010
Financial assets at amortized cost	4,652,942	12,770,206	52,589	17,475,737	46	331,412	52,089	383,547	17,092,190
Financial guarantees and other commitments	4,061,986	120,665	2,897	4,185,548	48,813	756	476	50,045	4,135,503
Total	21,993,209	224,738,019	5,384,419	252,115,647	602,256	17,830,575	5,023,303	23,456,134	228,659,513

43 CREDIT RISK (continued)

43.2 Expected credit losses (ECL) (continued)

43.2.10 Financial assets and ECLs by stage (continued)

The following table represents a reconciliation of the opening to the closing balance of impairment allowances of loans and advances at amortized cost:

	2024			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
	LL million	***LL million***	***LL million***	***LL million***
Balance at 1 January	**550,959**	**110,236**	**4,970,738**	**5,631,933**
Impairment loss for the year (note 9)	**26,714**	**139,430**	**884,851**	**1,050,995**
Recoveries (note 9)	**(966,578)**	**(184,204)**	**(5,147,425)**	**(6,298,207)**
Unrealized interest for the year	**-**	**-**	**1,887,704**	**1,887,704**
Write-offs	**-**	**-**	**(3,431,510)**	**(3,431,510)**
Foreign exchange difference	**1,929,739**	**524,954**	**24,391,855**	**26,846,548**
Other	**145,921**	**(40,444)**	**(41,962)**	**63,515**
Balance at 31 December 2024	**1,686,755**	**549,972**	**23,514,251**	**25,750,978**

	2023			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
	LL million	*LL million*	*LL million*	*LL million*
Balance at 1 January	197,799	43,304	621,726	862,829
Impairment loss for the year (note 9)	37,726	42,163	546,565	626,454
Recoveries (note 9)	(103,069)	(169,552)	(756,738)	(1,029,359)
Unrealized interest for the year	-	-	358,178	358,178
Transfer to off-financial position	-	-	(135,678)	(135,678)
Write-offs	-	-	(460,232)	(460,232)
Foreign exchange difference	354,196	293,291	4,796,917	5,444,404
Other	64,307	(98,970)	-	(34,663)
Balance at 31 December 2023	550,959	110,236	4,970,738	5,631,933

The following table represents a reconciliation of the opening to the closing balance of impairment allowances of balances with the Central Bank of Lebanon:

	2024	*2023*
	LL million	*LL million*
Balance at 1 January	**17,388,171**	1,403,497
Impairment loss for the year (note 9)	**-**	2,745,375
Transfer to IFRS 9 Reserve	**-**	3,030
Foreign exchange difference	**86,361,248**	13,236,269
Balance at 31 December	**103,749,419**	17,388,171

The following table represents a reconciliation of the opening to the closing balance of impairment allowances of Lebanese sovereign treasury bills and bonds and Certificates of Deposits issued by the Central Bank of Lebanon:

	2024	*2023*
	LL million	*LL million*
Balance at 1 January	**331,412**	33,323
Recoveries (note 9)	**-**	(58)
Foreign exchange difference	**1,646,010**	298,147
Balance at 31 December	**1,977,422**	331,412

43 CREDIT RISK (continued)

43.3 Analysis of risk concentration

Geographical location analysis
The Bank controls credit risk by maintaining close monitoring credit of its assets exposures by geographic location. The distribution of financial assets by geographic region as of 31 December is as follows:

	2024		
	Lebanon	*Others*	*Total*
	LL million	*LL million*	*LL million*
Financial assets			
Balances with central banks	**1,132,674,217**	**9,645,365**	**1,142,319,582**
Due from banks and financial institutions	**171,302**	**47,595,928**	**47,767,230**
Due from sister banks	**169,735**	**247,404**	**417,139**
Derivative financial instruments	**2,151**	**-**	**2,151**
Financial assets at fair value through profit or loss	**7,639**	**22,696,462**	**22,704,101**
Treasury bills and bonds	***7,639***	***-***	***7,639***
Corporate debt securities	***-***	***22,696,462***	***22,696,462***
Net loans and advances to customers at amortized cost	**2,269,033**	**22,662,073**	**24,931,106**
Commercial loans	***1,666,382***	***6,624,460***	***8,290,842***
Consumer loans	***602,651***	***16,037,613***	***16,640,264***
Net loans and advances to related parties at amortized cost	**65**	**149,603**	**149,668**
Debtors by acceptances	**91**	**36,314**	**36,405**
Financial assets at fair value through other comprehensive income	**-**	**256,006**	**256,006**
Financial assets at amortized cost	**34,644,677**	**29,804,630**	**64,449,307**
Treasury bills and bonds	***596,716***	***28,337,030***	***28,933,746***
Certificates of deposit – Central Bank of Lebanon	***34,047,961***	***-***	***34,047,961***
Corporate debt securities	***-***	***1,467,600***	***1,467,600***
	1,169,938,910	**133,349,791**	**1,303,288,701**

	2023		
	Lebanon	*Others*	*Total*
	LL million	*LL million*	*LL million*
Financial assets			
Balances with central banks	193,694,096	1,678,271	195,372,367
Due from banks and financial institutions	506,879	6,851,708	7,358,587
Due from sister banks	40,153	56,466	96,619
Derivative financial instruments	1,132	-	1,132
Financial assets at fair value through profit or loss	1,088	3,022,923	3,024,011
Treasury bills and bonds	*1,088*	*7,611*	*8,699*
Corporate debt securities	-	*3,015,312*	*3,015,312*
Net loans and advances to customers at amortized cost	440,887	4,142,958	4,583,845
Commercial loans	*419,032*	*1,145,638*	*1,564,670*
Consumer loans	*21,855*	*2,997,320*	*3,019,175*
Net loans and advances to related parties at amortized cost	1,387	15,004	16,391
Debtors by acceptances	16	3,994	4,010
Financial assets at fair value through other comprehensive income	-	39,288	39,288
Financial assets at amortized cost	12,438,795	4,653,395	17,092,190
Treasury bills and bonds	*1,154,388*	*4,437,984*	*5,592,372*
Certificates of deposit – Central Bank of Lebanon	*11,284,407*	-	*11,284,407*
Corporate debt securities	-	*215,411*	*215,411*
	207,124,433	20,464,007	227,588,440

43.4 Credit quality

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

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

(ii) Internal rating models that take into account both financial as well as non-financial information such as management quality, operating environment and company standing.

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

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

43 CREDIT RISK (continued)

43.4 Credit quality (continued)

Sovereign
The Bank applies two different PDs based on rating agencies' external studies. A forward-looking adjustment is performed on both PDs via beta regression by considering the relevant macro-economic factors as published by International data sources. The resulting PiT and forward-looking PDs are then used in the ECL calculation under the base case. The Bank then projects these factors under a lower and upper scenario.

Banks and Financial Institutions
The Bank considers that the credit spread above a given LIBOR rate is a reflective rate for expected credit loss. The cost of risk is considered as a proxy for PD and LGD.

Debt securities
The Bank assigns the second lowest rating amongst the three rating agencies (Moody's, Standard & Poor's and Fitch) for each instrument. The Bank also segregates the country of issuance of these debt securities between Emerging and Advanced Economies based on the International data sources studies. The Bank then conducts a correlation analysis per rating grade for each of the considered group of Advanced Economies and Emerging Economies. The resulting PDs are PiT and forward looking. The Bank then generated scenarios at the PD level.

External Rating Grade	**Credit Quality Description**
AA+, AA, AA-	High
A+, A, A-	High
BBB+, BBB, BBB-	Standard
BB+, BB, BB-	Standard
B+, B, B-	Weak
CCC+, CCC, CCC-	Weak
CC, C, D	Credit-impaired

The credit quality descriptions can be summarised as follows:

- *High*: there is a very high likelihood that the asset will be recovered in full. Counterparties in this category demonstrate a strong ability and willingness to fulfill their obligations on due time.
- *Standard*: there is a high likelihood that the asset will be recovered in full. The lower end of this category includes borrowers in their early stages of delinquency, suggesting a potential reduction in their ability to repay their obligations.
- *Weak*: there is a concern on the obligor's ability to make payments when due. However, this has not materialised yet in an event of default. Under this category, a borrower, who is now under a close monitoring and follow-up process, continues to repay his dues, albeit with some delays. Under this category, there is increasing likelihood of loss.

Commercial Loans
In accordance to the Bank's policy, default is defined when the borrower is 90 days' past due, along with other qualitative indicators on a case-by-case basis. The default definition is reflected in the collection of the default rates on a yearly basis, to be used in the calibration stage of the PD calculation.

Consumer Loans
For the purpose of the loss rate calculation, the Bank segregates its Consumer loans portfolio by product and displays the portfolio breakdown by DPD bucket. The Bank adopts this approach for its Consumer facilities that fall within Stage 1. The Bank then analyzes monthly net flow rates whereby the loss rate for each delinquency bucket is computed by considering the flow into the designated loss bucket at which write-off is assumed to occur. Forward looking loss rate is then projected through analysis of correlation with macro-economic factors and regressed under lower, base and upper scenarios. The table below shows the credit quality of the Bank's financial assets based on stage classification. The amounts presented are gross of impairment allowances.

43 CREDIT RISK (continued)

43.4 Credit quality (continued)

The table below shows the credit quality of the Bank's financial instruments and balances due from banks and financial institutions as per external ratings as at 31 December 2024:

	Sovereign and Central Banks					
	AAA to AA- LBP Million	***A+ to BBB- LBP Million***	***BB+ to B- LBP Million***	***Below B- LBP Million***	***Unrated LBP Million***	***Total LBP Million***
Balances with central banks	-	-	9,645,365	-	1,132,674,217	**1,142,319,582**
Due from banks and financial institutions	-	-	-	-	-	-
Due from sisters	-	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-	7,639	**7,639**
Financial assets at amortised cost	-	2,800	28,334,231	-	34,644,676	**62,981,707**
	-	**2,800**	**37,979,596**	**-**	**1,167,326,532**	**1,205,308,928**

	Non-sovereign					
	AAA to AA- LBP Million	***A+ to BBB- LBP Million***	***BB+ to B- LBP Million***	***Below B- LBP Million***	***Unrated LBP Million***	***Total LBP Million***
Balances with central banks	-	-	-	-	-	-
Due from banks and financial institutions	41,383,452	4,597,134	1,281,864	123,129	381,651	**47,767,230**
Due from sisters	243,602	4,648	-	-	168,889	**417,139**
Financial assets at fair value through profit or loss	-	22,696,462	-	-	-	**22,696,462**
Financial assets at amortised cost	-	-	182,277	-	1,285,323	**1,467,600**
	41,627,054	**27,298,244**	**1,464,141**	**123,129**	**1,835,863**	**72,348,431**

The table below shows the credit quality of the Bank's loans and advances to customers based on stage classification as at 31 December 2024:

	2024			
	Stage 1 LL million	***Stage 2 LL million***	***Stage 3 LL million***	***Total LL million***
Financial assets				
Loans and advances to customers at amortized cost	**21,013,769**	**4,021,338**	**25,646,977**	**50,682,084**
Commercial loans	***7,097,444***	***900,175***	***18,715,254***	***26,712,873***
Consumer loans	***13,916,325***	***3,121,163***	***6,931,723***	***23,969,211***
Loans and advances to related parties at amortized cost	**149,668**	**-**	**-**	**149,668**

	2023			
	Stage 1 LL million	*Stage 2 LL million*	*Stage 3 LL million*	*Total LL million*
Loans and advances to customers at amortized cost	4,121,966	764,879	5,328,933	10,215,778
Commercial loans	*1,177,203*	327,286	3,946,287	5,450,776
Consumer loans	*2,944,763*	437,593	1,382,646	4,765,002
Loans and advances to related parties at amortized cost	16,456	-	-	16,456

43 CREDIT RISK (continued)

43.5 Maximum exposure to credit risk and collateral and other credit enhancements

The following table shows the maximum exposure to credit risk by class of financial asset. It further shows the total fair value of collateral, capped to the maximum exposure to which it relates and the net exposure to credit risk.

	2024							
	Maximum exposure LL million	***Cash LL million***	***Securities LL million***	***Letters of credit / guarantees LL million***	***Real estate LL million***	***Other LL million***	***Net credit exposure LL million***	***Associated ECL LL million***
Balances with central banks	**1,142,319,582**	**-**	**-**	**-**	**-**	**-**	**1,142,319,582**	**103,749,419**
Due from banks and financial institutions	**47,767,230**	**-**	**4,041**	**-**	**-**	**-**	**47,763,189**	**1,920**
Due from sister banks	**417,139**	**-**	**-**	**-**	**-**	**-**	**417,139**	**-**
Derivative financial instruments	**2,151**	**-**	**-**	**-**	**-**	**-**	**2,151**	**-**
Financial assets at fair value through profit or loss	**22,704,101**	**-**	**-**	**-**	**-**	**-**	**22,704,101**	**-**
Net loans and advances to customers at amortized cost:	**24,931,106**	**950,600**	**918**	**-**	**2,090,555**	**2,770,197**	**19,118,836**	**25,750,978**
Commercial loans	***8,290,841***	***950,600***	***918***	**-**	***357,026***	***459,688***	***6,522,609***	***18,422,032***
Consumer loans	***16,640,265***	**-**	**-**	**-**	***1,733,529***	***2,310,509***	***12,596,227***	***7,328,946***
Net loans and advances to related parties at amortized cost	**149,668**	**-**	**-**	**-**	**24,947**	**-**	**124,721**	**-**
Debtors by acceptances	**36,405**	**-**	**-**	**-**	**-**	**-**	**36,405**	**-**
Financial assets at fair value through other comprehensive income	**256,006**	**-**	**-**	**-**	**-**	**-**	**256,006**	**-**
Financial assets at amortized cost	**64,449,307**	**-**	**-**	**-**	**-**	**-**	**64,449,307**	**-**
	1,303,032,695	**950,600**	**4,959**	**-**	**2,115,502**	**2,770,197**	**1,297,196,396**	**129,502,317**
Financial guarantees							**18,815,354**	**-**
Documentary credits							**504,151**	**-**
							19,319,505	**-**

	2023							
	Maximum exposure LL million	*Cash LL million*	*Securities LL million*	*Letters of credit / guarantees LL million*	*Real estate LL million*	*Other LL million*	*Net credit exposure LL million*	*Associated ECL LL million*
Balances with central banks	195,372,367	-	-	-	-	-	195,372,367	17,388,171
Due from banks and financial institutions	7,358,587	-	4,041	-	-	-	7,354,546	1,757
Due from sister banks	96,619	-	-	-	-	-	96,619	-
Derivative financial instruments	1,132	-	-	-	-	-	1,132	-
Financial assets at fair value through profit or loss	3,024,011	-	-	-	-	-	3,024,011	-
Net loans and advances to customers at amortized cost:	4,583,845	625,204	590	7,090	1,958,018	2,441,825	(448,882)	5,631,933
Commercial loans	*1,564,668*	*625,204*	*590*	*7,090*	*442,354*	*231,980*	*257,450*	*3,886,108*
Consumer loans	*3,019,177*	-	-	-	*1,515,664*	*2,209,845*	*(706,332)*	*1,745,825*
Net loans and advances to related parties at amortized cost	16,391	-	-	-	15,795	-	596	65
Debtors by acceptances	4,010	-	-	-	-	-	4,010	30
Financial assets at fair value through other comprehensive income	39,288	-	-	-	-	-	39,288	-
Financial assets at amortized cost	17,092,190	-	-	-	-	-	17,092,190	383,547
	227,588,440	625,204	4,631	7,090	1,973,813	2,441,825	222,535,877	23,405,503
Financial guarantees							3,450,937	-
Documentary credits							153,426	-
							3,604,363	-

The schedules shown above exclude the undrawn commitments to lend of LL 5,275,998 million for the year ended 31 December 2024 (2023: LL 1,710,076 million).

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Management monitors the market value of collateral on a regular basis and requests additional collateral in accordance with the underlying agreement when deemed necessary.

The main types of collateral obtained are as follows:

- *Securities:* the balances shown represent the fair value of the securities.
- *Letters of credit / guarantees:* The Bank holds in some cases guarantees, letters of credit and similar instruments from banks and financial institutions which enable it to claim settlement in the event of default on the part of the counterparty. The balances shown represent the notional amount of these types of guarantees held by the Bank.
- *Real estate (commercial and residential):* The Bank holds in some cases a first degree mortgage over residential property (for housing loans) and commercial property (for commercial loans). The value shown reflects the fair value of the property limited to the related mortgaged amount.

In addition, the Bank also obtains guarantees from parent companies for loans to their subsidiaries, personal guarantees for loans to companies owned by individuals and assignments of insurance proceeds and revenues, which are not reflected in the above table.

44 MARKET RISK

Market risk is defined as the potential loss in both on balance sheet and off-balance sheet positions resulting from movements in market risk factors such as foreign exchange rates, interest rates and equity prices.

Bank Risk Management is responsible for generating internal reports quantifying the Bank's earnings at risk due to extreme movements in interest rates, while daily monitoring the sensitivity of the Bank's trading portfolio of fixed income securities to changes in market prices and / or market parameters. The Bank's Asset and Liability Management (ALM) policy assigns authority for its formulation, revision and administration to the Asset / Liability Committee (ALCO) of BLOM Bank SAL. Bank Risk Management is responsible for monitoring compliance with all limits set in the ALM Policy ranging from core foreign currency liquidity to liquidity mismatch limits to interest sensitivity gap limits. The Bank has an Asset and Liability Management system "Focus ALM" that automates the risk measurement of the Bank's assets and liabilities including stress testing and extensive scenario analysis.

A. CURRENCY RISK

Foreign exchange (or currency) risk is the risk that the value of a portfolio will fall as a result of changes in foreign exchange rates. The major sources of this type of market risk are imperfect correlations in the movements of currency prices, fluctuations in interest rates and exchange rate volatility in general. The Bank is subject to currency risk on financial assets and liabilities that are denominated in currencies other than the Lebanese Lira. Most of these financial assets and liabilities are in US Dollars, Euros and Jordanian Dinar. The Bank has also exposure to foreign currency risk through its foreign operations that have a functional currency other than the Lebanese Lira.

As disclosed in note 1.3 to the separate financial statements, the Bank's assets and liabilities in foreign currencies are valued at the official published exchange rate which does not always represent a reasonable estimate of expected cash flows in Lebanese Liras that would have to be generated/used from the realisation of such assets or the payment of such liabilities.

The following tables present the breakdown of assets and liabilities of the Bank by currency as of 31 December.

	2024					
		Foreign currencies in Lebanese Lira				
	LL million	*US Dollars in LL million*	*Euro in LL million*	*Other foreign currencies LL million*	*Total foreign currencies LL million*	*Total LL million*
ASSETS						
Cash and balances with central banks	**10,028,217**	**1,035,210,515**	**98,123,109**	**9,845,025**	**1,143,178,649**	**1,153,206,866**
Due from banks and financial institutions	**91,592**	**42,275,564**	**3,140,301**	**2,259,773**	**47,675,638**	**47,767,230**
Due from sister banks	**399**	**246,146**	**124,094**	**46,500**	**416,740**	**417,139**
Derivative financial instruments	**2,151**	**-**	**-**	**-**	**-**	**2,151**
Financial assets at fair value through profit or loss	**18,932**	**33,242,047**	**13,050**	**-**	**33,255,097**	**33,274,029**
Net loans and advances to customers at amortized cost	**134,906**	**2,933,351**	**(257,883)**	**22,120,732**	**24,796,200**	**24,931,106**
Net loans and advances to related parties at amortized cost	**32**	**33**	**-**	**149,603**	**149,636**	**149,668**
Debtors by acceptances	**-**	**20,232**	**16,173**	**-**	**36,405**	**36,405**
Financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**256,006**	**256,006**	**256,006**
Financial assets at amortized cost	**626,957**	**39,355,218**	**2,800**	**24,464,332**	**63,822,350**	**64,449,307**
Investments in subsidiaries	**7,787,661**	**5,683,615**	**39,697,336**	**167,337**	**45,548,288**	**53,335,949**
Property, equipment and right-of-use assets	**584,010**	**815**	**-**	**2,946,567**	**2,947,382**	**3,531,392**
Intangible assets	**102,608**	**-**	**-**	**20,259**	**20,259**	**122,867**
Assets obtained in settlement of debt	**1,442**	**3,255,465**	**-**	**1,245,167**	**4,500,632**	**4,502,074**
Other assets	**125,367**	**274,406**	**7,584**	**274,548**	**556,538**	**681,905**
TOTAL ASSETS	**19,504,274**	**1,162,497,407**	**140,866,564**	**63,795,849**	**1,367,159,820**	**1,386,664,094**
LIABILITIES						
Due to central banks	**690,703**	**1,290,099**	**-**	**3,333,204**	**4,623,303**	**5,314,006**
Due to banks and financial institutions	**22,240**	**3,695,587**	**76,863**	**2,046,770**	**5,819,220**	**5,841,460**
Due to sister banks	**73,483**	**6,798,231**	**568,953**	**129,475**	**7,496,659**	**7,570,142**
Derivative financial instruments	**4,433**	**-**	**-**	**-**	**-**	**4,433**
Customers' deposits at amortized cost	**9,109,474**	**1,086,912,986**	**76,393,137**	**53,034,593**	**1,216,340,716**	**1,225,450,190**
Deposits from related parties at amortized cost	**10,191**	**1,863,367**	**62,229**	**657,478**	**2,583,074**	**2,593,265**
Engagements by acceptances	**-**	**22,830**	**16,173**	**-**	**39,003**	**39,003**
Other liabilities	**6,547,750**	**10,436,771**	**380,330**	**599,544**	**11,416,645**	**17,964,395**
Provisions for risks and charges	**13,461,355**	**90,557**	**-**	**53,168**	**143,725**	**13,605,080**
TOTAL LIABILITIES	**29,919,629**	**1,111,110,428**	**77,497,685**	**59,854,232**	**1,248,462,345**	**1,278,381,974**
NET EXPOSURE	**(10,415,355)**	**51,386,979**	**63,368,879**	**3,941,617**	**118,697,475**	**108,282,120**

44 MARKET RISK (continued)

A. CURRENCY RISK (continued)

	2023					
		Foreign currencies in Lebanese Lira				
	LL million	US Dollars in LL million	Euro in LL million	Other foreign currencies LL million	Total foreign currencies LL million	Total LL million
ASSETS						
Cash and balances with central banks	9,019,445	169,039,291	19,252,212	1,655,423	189,946,926	198,966,371
Due from banks and financial institutions	472,433	6,112,682	232,377	541,095	6,886,154	7,358,587
Due from sister banks	350	58,671	21,426	16,172	96,269	96,619
Derivative financial instruments	1,132	-	-	-	-	1,132
Financial assets at fair value through profit or loss	16,782	3,528,856	2,150	-	3,531,006	3,547,788
Net loans and advances to customers at amortized cost	276,485	544,150	5,113	3,758,097	4,307,360	4,583,845
Net loans and advances to related parties at amortized cost	1,283	104	-	15,004	15,108	16,391
Debtors by acceptances	-	47	3,963	-	4,010	4,010
Financial assets at fair value through other comprehensive income	-	-	-	39,288	39,288	39,288
Financial assets at amortized cost	1,209,911	11,932,404	500	3,949,375	15,882,279	17,092,190
Investments in subsidiaries	1,519,658	1,033,526	6,346,371	-	7,379,897	8,899,555
Property, equipment and right-of-use assets	499,900	65	-	567,105	567,170	1,067,070
Intangible assets	-	-	-	4,303	4,303	4,303
Assets obtained in settlement of debt	(288)	34,481	-	136,810	171,291	171,003
Other assets	66,095	69,395	528	44,044	113,967	180,062
TOTAL ASSETS	13,083,186	192,353,672	25,864,640	10,726,716	228,945,028	242,028,214
LIABILITIES						
Due to central banks	1,321,637	276,515	-	585,525	862,040	2,183,677
Due to banks and financial institutions	10,072	797,414	87,721	322,775	1,207,910	1,217,982
Due to sister banks	218,842	1,035,838	98,455	25,194	1,159,487	1,378,329
Derivative financial instruments	2,224	-	-	-	-	2,224
Customers' deposits at amortized cost	9,182,626	184,802,770	13,734,882	9,030,062	207,567,714	216,750,340
Deposits from related parties at amortized cost	8,497	737,718	25,598	106,834	870,150	878,647
Debt issued and other borrowed funds	-	-	-	-	-	-
Engagements by acceptances	-	663	3,963	-	4,626	4,626
Other liabilities	2,322,327	741,362	16,405	60,304	818,071	3,140,398
Provisions for risks and charges	1,012,339	28,257	-	6,260	34,517	1,046,856
TOTAL LIABILITIES	14,078,564	188,420,537	13,967,024	10,136,954	212,524,515	226,603,079
NET EXPOSURE	(995,378)	3,933,135	11,897,616	589,762	16,420,513	15,425,135

The Bank's exposure to currency risk

Assets and liabilities in foreign currencies presented in the tables above include onshore assets and liabilities in foreign currencies, that are subject to defacto capital controls in Lebanon, which is further explained in note 1 to the separate financial statements. These are held by entities operating in Lebanon and Management expects 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.

	Total foreign currency	
	2024 LL million	2023 LL million
Assets		
Cash and balances with central banks	**1,123,773,811**	186,136,287
Due from banks and financial institutions	**19,914**	31,831
Due from sister banks	**130,291**	28,395
Financial assets at fair value through profit or loss	**10,369,830**	477,970
Net loans and advances to customers at amortized cost	**1,445,133**	473,323
Net loans and advances to related parties at amortized cost	**33**	104
Financial assets at amortized cost	**34,017,719**	11,336,078
Assets obtained in settlement of debt	**41,514**	17,374
Other assets	**249,874**	66,114
Total assets	**1,170,048,119**	198,567,476
Liabilities		
Due to central banks	**1,290,099**	276,515
Due to banks and financial institutions	**644,885**	70,328
Due to sister banks	**7,216,988**	1,133,480
Customers' deposits at amortized cost	**1,129,349,600**	195,247,616
Deposits from related parties at amortized cost	**1,538,204**	462,930
Provisions for risks and charges	**131,546**	28,545
Total liabilities	**1,140,171,322**	197,219,414

44 MARKET RISK (continued)

B. INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect the fair values of the financial instruments. The Bank is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities that mature or are re-priced in a given period. The Bank manages the risk by matching the re-pricing of assets and liabilities through risk management strategies. Positions are monitored on a daily basis by management.

Interest rate sensitivity

The table below shows the sensitivity of interest income to basis points changes in interest rates, all other variables held constant. Given the prolonged nature of the Lebanese crisis and related high level of uncertainties, the Bank expects the low interest rates environment for the local currency (or equivalent) to continue prevailing in Lebanon during 2024. The Bank is also unable to determine what would be a reasonably possible change in interest rates. The Central Bank of Lebanon has already decreased interest rates used by the Lebanese banking sector through its various intermediate circulars.

The impact of interest rate changes on net interest income is due to assumed changes in interest paid and received on floating rate financial assets and liabilities and to the reinvestment or refunding of fixed rated financial assets and liabilities at the assumed rates.

The change in interest income is calculated over a 1-year period. The impact also incorporates the fact that some monetary items do not immediately respond to changes in interest rates and are not passed through in full, reflecting sticky interest rate behaviour. The pass-through rate and lag in response time are estimated based on historical statistical analysis and are reflected in the outcome.

The sensitivity of equity was calculated for a decrease in basis points whereby a similar decrease has an equal and offsetting effect on net interest income.

		Sensitivity of Net Interest Income	
	Decrease in Basis Points	***2024 LL million***	*2023 LL million*
Lebanese Lira	**(100)**	**39,451**	34,747
United States Dollar	**(100)**	**2,580,127**	512,866
Euro	**(100)**	**331,096**	(194)

Interest sensitivity gap

The Bank's interest sensitivity position based on contractual repricing arrangements is shown in the table below. The expected repricing and maturity dates may differ significantly from the contractual dates, particularly with regard to the maturity of customer demand deposits.

	2024							
	Up to 1 month LL million	*1 to 3 months LL million*	*3 months to 1 year LL million*	*(1 – 2) years LL million*	*(2 – 5) years LL million*	*More than 5 years LL million*	*Non-interest sensitive LL million*	*Total LL million*
ASSETS								
Cash and balances with central banks	**3,109,956**	**205,939,501**	**11,635,000**	**4,475,000**	**434,902,241**	**179,747,102**	**313,398,066**	**1,153,206,866**
Due from banks and financial institutions	**29,394,721**	**9,800,021**	**1,342,500**	**-**	**-**	**-**	**7,229,988**	**47,767,230**
Due from sister banks	**-**	**-**	**-**	**-**	**-**	**-**	**417,139**	**417,139**
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**-**	**2,151**	**2,151**
Financial assets at fair value through profit or loss	**883,496**	**1,827,419**	**892,254**	**4,450,169**	**8,845,705**	**5,525,178**	**10,849,808**	**33,274,029**
Net loans and advances to customers at amortized cost	**35,646**	**771,052**	**1,539,083**	**6,741,908**	**7,050,015**	**8,793,402**	**-**	**24,931,106**
Net loans and advances to related parties at amortized cost	**815**	**-**	**-**	**-**	**-**	**148,853**	**-**	**149,668**
Debtors by acceptances	**-**	**-**	**-**	**-**	**-**	**-**	**36,405**	**36,405**
Financial assets at amortized cost	**33,190**	**1,026,488**	**2,472,718**	**6,810,481**	**48,268,176**	**5,240,227**	**598,027**	**64,449,307**
Financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**256,006**	**256,006**
TOTAL	**33,457,824**	**219,364,481**	**17,881,555**	**22,477,558**	**499,066,137**	**199,454,762**	**332,787,590**	**1,324,489,907**
LIABILITIES								
Due to central banks	**54,562**	**2,368,981**	**835,129**	**71,779**	**513,818**	**224,846**	**1,244,891**	**5,314,006**
Due to banks and financial institutions	**-**	**1,261,630**	**-**	**-**	**-**	**-**	**4,579,830**	**5,841,460**
Due to sister banks	**7,570,142**	**-**	**-**	**-**	**-**	**-**	**-**	**7,570,142**
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**-**	**4,433**	**4,433**
Customers' deposits at amortized cost	**33,016,363**	**8,559,542**	**16,827,208**	**1,899**	**-**	**-**	**1,167,045,178**	**1,225,450,190**
Deposits from related parties at amortized	**2,511,554**	**5,701**	**76,010**	**-**	**-**	**-**	**-**	**2,593,265**
Debt issued and other borrowed funds	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Engagements by acceptances	**-**	**-**	**--**	**-**	**-**	**-**	**39,003**	**39,003**
TOTAL	**43,152,621**	**12,195,854**	**17,738,347**	**73,678**	**513,818**	**224,846**	**1,172,913,335**	**1,246,812,499**
Total interest rate sensitivity gap	**(9,694,787)**	**207,168,627**	**143,208**	**22,403,880**	**498,552,319**	**199,229,916**	**(840,125,745)**	**77,677,408**

44 MARKET RISK (continued)

B. INTEREST RATE RISK (continued)

Interest sensitivity gap (continued)

	2023							
	Up to 1 month LL million	*1 to 3 months LL million*	*3 months to 1 year LL million*	*(1 – 2) years LL million*	*(2 – 5) years LL million*	*More than 5 years LL million*	*Non-interest sensitive LL million*	*Total LL million*
ASSETS								
Cash and balances with central banks	25,164,868	4,389,805	14,484,723	9,450,000	47,476,422	73,994,427	24,006,126	198,966,371
Due from banks and financial institutions	3,351,065	2,760,000	-	-	-	-	1,247,522	7,358,587
Due from sister banks	2,646	-	-	-	-	-	93,973	96,619
Derivative financial instruments	-	-	-	-	-	-	1,132	1,132
Financial assets at fair value through profit or loss	-	-	782	603,272	1,804,853	573,875	565,006	3,547,788
Net loans and advances to customers at amortized cost	1,231,827	938,750	2,441,579	246,848	269,175	23,626	(567,960)	4,583,845
Net loans and advances to related parties at amortized cost	422	-	-	-	-	16,034	(65)	16,391
Debtors by acceptances	-	-	-	-	-	-	4,010	4,010
Financial assets at amortized cost	41,639	180,655	6,079,224	579,600	3,143,495	7,255,436	(187,859)	17,092,190
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	39,288	39,288
TOTAL	29,792,467	8,269,210	23,006,308	10,879,720	52,693,945	81,863,398	25,201,173	231,706,221
LIABILITIES								
Due to central banks	44,070	490,266	587,436	213,337	410,010	160,681	277,877	2,183,677
Due to banks and financial institutions	-	211,446	-	-	-	-	1,006,536	1,217,982
Due to sister banks	1,378,329	-	-	-	-	-	-	1,378,329
Derivative financial instruments	-	-	-	-	-	-	2,224	2,224
Customers' deposits at amortized cost	6,379,519	1,777,547	3,220,682	1,501	318	-	205,370,773	216,750,340
Deposits from related parties at amortized	469,418	1,721	1,519	-	-	-	405,989	878,647
Debt issued and other borrowed funds	-	-	-	-	-	-	-	-
Engagements by acceptances	-	-	-	-	-	-	4,626	4,626
TOTAL	8,271,336	2,480,980	3,809,637	214,838	410,328	160,681	207,068,025	222,415,825
Total interest rate sensitivity gap	21,521,131	5,788,230	19,196,671	10,664,882	52,283,617	81,702,717	(181,866,852)	9,290,396

C. EQUITY PRICE RISK

Equity price risk is the risk that the fair value of equities decreases as the result of a change in stock prices. Equity price risk exposure arises from equity securities classified at fair value through profit or loss. A 5 percent increase in the value of the Bank’s equities at 31 December 2024 would have increased net income by LL 454,501 million (2023: LL 9,631 million). An equivalent decrease would have resulted in an equivalent but opposite impact.

D. PREPAYMENT RISK

Prepayment risk is the risk that the Bank will incur a financial loss because its customers and counterparties repay or request repayment earlier than expected. This is applicable for example on fixed rate loans when market interest rates fall.

In Lebanon and following the severe devaluation of the local currency in the parallel market and prevalence of multiple exchange rates, prepayment activities on the lending portfolio have accelerated during the course of 2023 and 2024. However, in view of the quasi-absence of any local interest rate benchmarks due to the crisis and given that the Bank in Lebanon prioritising the implementation of a de-risking strategy (with the aim of alleviating pressure on credit asset quality), the Bank considers the impact of prepayment risk resulting from these transactions to be benign.

Outside Lebanon, market risks that lead to prepayments are not material with respect to the countries where the Bank operates. Accordingly, the Bank considers the impact of prepayment risk on net profits to be not material after considering any penalty fees received on prepayment activities, when existing.

45 LIQUIDITY RISK

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances.

The Bank manages liquidity at each entity level independently while keeping oversight of intra-group dependencies, when existing. The Bank recognizes that its ability to meet its liquidity requirements, including international commitments, may come under increasing pressure under a deteriorating operating environment.

45 LIQUIDITY RISK (continued)

Following October 2019 events, the Bank's international liquidity in Lebanon was subject to an unprecedented pressure, which led Management to implement a series of remedial measures to mitigate this risk.

The following outlines the monitoring process that takes place at the entity level including some activities that are more relevant to the Lebanese operations.

Monitoring process

Daily
Due to the ongoing economic and financial crisis in Lebanon, it is more important to monitor cash flows and highly liquid assets rather than the supervisory liquidity ratios, because those will ensure the uninterrupted operation of the Bank's activities. On a daily basis, a report of highly liquid assets is prepared showing the change in the position compared to the previous day, and submits it to the members of the ALCO. Also, Bank Treasury monitors daily the inflows and outflows in the main currencies used by the Bank.

Weekly
A weekly report is prepared showing the expected outflows for the current quarter as well as of highly liquid assets held during the reported periods. This report is submitted to the Central Bank of Lebanon.

Monthly
The Bank Market Risk Management prepares tables indicating compliance with internal and regulatory liquidity ratios for the Bank and submits them to the ALCO.

Quarterly
The Board of Directors is informed of compliance with internal and regulatory liquidity ratios for each banking unit and for the Bank on at least a quarterly basis.

Periodic
The liquidity position is assessed under various scenarios, including simulation of Bank-specific crisis and market-wide crisis. The stress scenarios are applied to both on-balance sheet and off-balance sheet commitments, to provide a complete picture of potential cash outflows.

As part of the Bank's procedures for monitoring and managing liquidity risk, there is a Bank funding crisis contingency plan, which sets out a response in the event of liquidity difficulties.

The plan sets out a series of possible actions that can be taken. This plan, as well as the Bank's Liquidity Policy, are reviewed by ALCO. The latter submits the updated policy with its recommendations to the Board Risk Committee for approval.

As per applicable regulations, the Bank must retain obligatory reserves with the central banks where the Bank entities operate.

Liquidity ratios
The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. The ratio of FC liquid assets to FC total deposits and other liabilities falling due in the next month is prepared monthly by GMRM and monitored by ALCO. FC liquid assets are defined as FC bonds and placements with banks and subsidiaries maturing within thirty days.

The Central Bank of Lebanon introduced several various requirements aiming at restoring the normal banking operations in Lebanon to their pre-October 2019 levels. Among these measures, Lebanese banks were requested to constitute, at its correspondent banks abroad, a foreign account free from any obligations that will be at no time below 3% of its total foreign-currency deposits as on 31 July 2024. Banks whose situation is incompatible with the provisions of the paragraph above are granted a time-limit ending on 31 December 2025 to adjust their situation accordingly. Additionally, Lebanese banks were required to maintain international liquidity in the form of banknotes and current account balances with foreign correspondent banks (free of any obligation) in excess of 100% of the external account deposits and other international commitments (including issued letter of credits and letter of guarantees in international dollar).

45 LIQUIDITY RISK (continued)

Sources of funding
Customer deposits were the main funding source of the Bank as at 31 December 2024 and 2023. The distribution of sources and the maturity of deposits are actively monitored in order to avoid concentration of funding maturing at any point in time or from a large number of depositors. The Bank monitors the percentage of time deposits that are renewed every quarter and aims to ensure that this percentage is maintained at high levels.

The Bank stresses the importance of customers' deposits as sources of funds to finance its lending activities. This is monitored by using the advances to deposit ratio, which compares loans and advances to customers as a percentage of clients' deposits.

	Lebanese Lira		*Foreign currencies*	
	2024	*2023*	***2024***	*2023*
	%	*%*	*%*	*%*
Loans to deposits ratio				
Year-end	**1.48%**	3.02%	**2.05%**	2.07%
Average	**1.76%**	6.37%	**2.04%**	2.36%
Maximum	**2.32%**	11.71%	**2.06%**	2.56%
Minimum	**1.48%**	3.02%	**2.02%**	2.07%

Analysis of financial assets and liabilities by remaining contractual maturities
The table below summarizes the maturity profile of the Bank's financial assets and liabilities as at 31 December based on their contractual undiscounted cash flows. The contractual maturities were determined based on the period remaining to each maturity as per the statement of financial position actual commitments. Repayments which are subject to notice are treated as if notice were being given immediately. Concerning deposits, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay.

The table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

						31 December 2024
	On demand LL million	***Less than 3 months LL million***	***3 to 12 months LL million***	***1 to 5 years LL million***	***Over 5 years LL million***	***Total LL million***
Financial assets						
Cash and balances with central banks	**499,027,838**	**47,403,736**	**15,590,319**	**467,111,832**	**182,536,234**	**1,211,669,959**
Due from banks and financial institutions	**38,142,709**	**9,742,857**	**-**	**-**	**-**	**47,885,566**
Due from sister banks	**417,139**	**-**	**-**	**-**	**-**	**417,139**
Derivative financial instruments	**2,151**	**-**	**-**	**-**	**-**	**2,151**
Financial assets at fair value through profit or loss	**1,066,008**	**2,075,853**	**1,682,776**	**14,450,924**	**16,381,866**	**35,657,427**
Net loans and advances to customers at amortized cost	**2,142,901**	**410,768**	**79,157**	**19,373,507**	**11,395,584**	**33,401,917**
Net loans and advances to related parties at amortized cost	**1,935**	**2,234**	**10,052**	**53,609**	**162,255**	**230,085**
Debtors by acceptances	**-**	**9,410**	**26,994**	**-**	**-**	**36,404**
Financial assets classified at amortized cost	**271,029**	**1,792,981**	**2,686,159**	**63,022,612**	**6,255,572**	**74,028,353**
Financial assets at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**256,006**	**256,006**
Total undiscounted financial assets	**541,071,710**	**61,437,839**	**20,075,457**	**564,012,484**	**216,987,517**	**1,403,585,007**
Financial liabilities						
Due to central banks	**71,294**	**2,455,434**	**862,494**	**662,016**	**1,345,036**	**5,396,274**
Due to banks and financial institutions	**4,559,679**	**14,310**	**64,395**	**1,309,447**	**-**	**5,947,831**
Due to sister banks	**7,570,168**	**-**	**-**	**-**	**-**	**7,570,168**
Derivative financial instruments	**4,433**	**-**	**-**	**-**	**-**	**4,433**
Customers' deposits at amortized cost	**933,879,904**	**265,960,261**	**25,180,235**	**615,186**	**-**	**1,225,635,586**
Deposits from related parties at amortized cost	**2,513,011**	**5,704**	**49,331**	**26,693**	**-**	**2,594,739**
Debt issued and other borrowed funds	**-**	**-**	**-**	**-**	**-**	**-**
Engagements by acceptances	**-**	**9,410**	**29,592**	**-**	**-**	**39,002**
Total undiscounted financial liabilities	**948,598,489**	**268,445,119**	**26,186,047**	**2,613,342**	**1,345,036**	**1,247,188,033**
Net undiscounted financial assets (liabilities)	**(407,526,779)**	**(207,007,280)**	**(6,110,590)**	**561,399,142**	**215,642,481**	**156,396,974**

45 LIQUIDITY RISK (continued)

Analysis of financial assets and liabilities by remaining contractual maturities (continued)

	31 December 2023					
	On demand	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
	LL million	*LL million*	*LL million*	*LL million*	*LL million*	*LL million*
Financial assets						
Cash and balances with central banks	39,954,616	27,081,876	5,932,289	73,544,271	80,415,760	226,928,812
Due from banks and financial institutions	1,230,493	6,159,927	-	-	-	7,390,420
Due from sister banks	89,080	7,543	-	-	-	96,623
Derivative financial instruments	-	1,132	-	-	-	1,132
Financial assets at fair value through profit or loss	-	65,612	118,055	2,698,873	1,257,851	4,140,391
Net loans and advances to customers at amortized cost	-	788,433	(23,133)	3,541,558	1,918,743	6,225,601
Net loans and advances to related parties at amortized cost	-	847	1,201	6,772	17,726	26,546
Debtors by acceptances	-	-	4,010	-	-	4,010
Financial assets at fair value through other comprehensive income	-	-	-	-	39,288	39,288
Financial assets classified at amortized cost	-	475,330	6,320,304	5,517,434	7,660,229	19,973,297
Total undiscounted financial assets	41,274,189	34,580,700	12,352,726	85,308,908	91,309,597	264,826,120
Financial liabilities						
Due to central banks	-	579,222	609,419	659,714	387,990	2,236,345
Due to banks and financial institutions	1,000,982	220,597	10,792	18,067	-	1,250,438
Due to sister banks	1,371,577	6,758	-	-	-	1,378,335
Derivative financial instruments	-	2,224	-	-	-	2,224
Customers' deposits at amortized cost	83,654,172	125,450,306	7,267,091	495,203	-	216,866,772
Deposits from related parties at amortized cost	-	877,370	1,519	-	-	878,889
Debt issued and other borrowed funds	-	-	-	-	-	-
Engagements by acceptances	-	-	4,625	-	-	4,625
Total undiscounted financial liabilities	86,026,731	127,136,477	7,893,446	1,172,984	387,990	222,617,628
Net undiscounted financial assets (liabilities)	(44,752,542)	(92,555,777)	4,459,280	84,135,924	90,921,607	42,208,492

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

	31 December 2024					
	On demand	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
	LL million	***LL million***	***LL million***	***LL million***	***LL million***	***LL million***
Financial guarantees	**5,936,441**	**-**	**-**	**-**	**-**	**5,936,441**
Documentary credits	**-**	**356,014**	**-**	**-**	**-**	**356,014**
Loan commitments	**-**	**5,275,998**	**-**	**-**	**-**	**5,275,998**
Other commitments	**-**	**3,686,884**	**-**	**484,636**	**73,492**	**4,245,012**
Total	**5,936,441**	**9,318,896**	**-**	**484,636**	**73,492**	**15,813,465**

	31 December 2023					
	On demand	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
	LL million	*LL million*	*LL million*	*LL million*	*LL million*	*LL million*
Financial guarantees	1,750,900	-	-	-	-	1,750,900
Documentary credits	-	58,012	-	-	-	58,012
Loan commitments	-	1,710,076	-	-	-	1,710,076
Other commitments	-	1,376,411	434,040	516,382	97,751	2,424,584
Total	1,750,900	3,144,499	434,040	516,382	97,751	5,943,572

45 LIQUIDITY RISK (continued)

Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

The maturity profile of the Bank's assets and liabilities as at 31 December is as follows:

	2024		
	Less than one year LL million	*More than one year LL million*	*Total LL million*
ASSETS			
Cash and balances with central banks	**549,840,980**	**603,365,886**	**1,153,206,866**
Due from banks and financial institutions	**47,767,230**	**-**	**47,767,230**
Due from sister banks	**417,139**	**-**	**417,139**
Derivative financial instruments	**2,151**	**-**	**2,151**
Financial assets at fair value through profit or loss	**3,847,793**	**29,426,236**	**33,274,029**
Net loans and advances to customers at amortized cost	**897,921**	**24,033,185**	**24,931,106**
Net loans and advances to related parties at amortized cost	**815**	**148,853**	**149,668**
Debtors by acceptances	**36,405**	**-**	**36,405**
Financial assets at fair value through other comprehensive income	**-**	**256,006**	**256,006**
Financial assets at amortized cost	**2,415,607**	**62,033,700**	**64,449,307**
Investments in subsidiaries	**-**	**53,335,949**	**53,335,949**
Property, equipment and right-of-use assets	**-**	**3,531,392**	**3,531,392**
Intangible assets	**-**	**122,867**	**122,867**
Non-current assets held for sale	**-**	**4,502,074**	**4,502,074**
Other assets	**674,986**	**6,919**	**681,905**
TOTAL ASSETS	**605,901,027**	**780,763,067**	**1,386,664,094**
LIABILITIES			
Due to central banks	**3,336,315**	**1,977,691**	**5,314,006**
Due to banks and financial institutions	**4,552,524**	**1,288,936**	**5,841,460**
Due to sister banks	**7,570,142**	**-**	**7,570,142**
Derivative financial instruments	**4,433**	**-**	**4,433**
Customers' deposits at amortized cost	**1,224,835,255**	**614,935**	**1,225,450,190**
Deposits from related parties at amortized cost	**2,593,265**	**-**	**2,593,265**
Debt issued and other borrowed funds	-	-	-
Engagements by acceptances	**39,003**	**-**	**39,003**
Other liabilities	**15,588,035**	**2,376,360**	**17,964,395**
Provisions for risks and charges	**10,802,500**	**2,802,580**	**13,605,080**
TOTAL LIABILITIES	**1,269,321,472**	**9,060,502**	**1,278,381,974**
NET	**(663,420,445)**	**771,702,565**	**108,282,120**

	2023		
	Less than one year LL million	*More than one year LL million*	*Total LL million*
ASSETS			
Cash and balances with central banks	68,045,521	130,920,850	198,966,371
Due from banks and financial institutions	7,358,587	-	7,358,587
Due from sister banks	96,619	-	96,619
Derivative financial instruments	1,132	-	1,132
Financial assets at fair value through profit or loss	42,010	3,505,778	3,547,788
Net loans and advances to customers at amortized cost	425,600	4,158,245	4,583,845
Net loans and advances to related parties at amortized cost	357	16,034	16,391
Debtors by acceptances	4,010	-	4,010
Financial assets at fair value through other comprehensive income	-	39,288	39,288
Financial assets at amortized cost	6,096,166	10,996,024	17,092,190
Investments in subsidiaries	-	8,899,555	8,899,555
Property, equipment and right-of-use assets	-	1,067,070	1,067,070
Intangible assets	-	4,303	4,303
Non-current assets held for sale	-	171,003	171,003
Other assets	178,298	1,764	180,062
TOTAL ASSETS	82,248,300	159,779,914	242,028,214
LIABILITIES			
Due to central banks	1,162,593	1,021,084	2,183,677
Due to banks and financial institutions	1,217,982	-	1,217,982
Due to sister banks	1,378,329	-	1,378,329
Derivative financial instruments	2,224	-	2,224
Customers' deposits at amortized cost	216,261,487	488,853	216,750,340
Deposits from related parties at amortized cost	878,647	-	878,647
Debt issued and other borrowed funds	-	-	-
Engagements by acceptances	4,626	-	4,626
Other liabilities	2,742,855	397,543	3,140,398
Provisions for risks and charges	8,705	1,038,151	1,046,856
TOTAL LIABILITIES	223,657,448	2,945,631	226,603,079
NET	(141,409,148)	156,834,283	15,425,135

46 OPERATIONAL RISK

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 within the Group Risk Management Division 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 Bank 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.

Following October 2019 events, the Bank has been subject to an increased compliance risk pressure as a result of the considerable number of regulatory circulars and memos issued since that date (more than 100 BdL circulars and announcements, BCC memos, and CMA announcements were published during 2023 and 2024). These regulatory requirements, in addition to changes in the operating environment, have necessitated rapid system developments/updates and implementation of new processes, which also required adequate training to employees.

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 Bank Operational Risk policy.

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

47 LITIGATION RISK

At year-end, the Bank had several unresolved legal claims in Lebanon and abroad, mainly those relating to the restrictive measures in place with respect to the withdrawal of funds and transfers abroad and a civil action filed in US federal courts in the US District Court in the Eastern District of New York (EDNY) against eleven Lebanese banks including Blom Bank SAL, asserting primary and secondary liability claims under the "Justice Against Sponsors of Terrorism Act (JASTA)" and the "Anti-Terrorism Act (ATA) which allow U.S. citizens to seek compensation from individuals or entities that provide material support to terrorist organizations even if the alleged acts occurred outside the United States. The lawsuit is currently in the discovery phase after courts denied the banks' motions to dismiss.

Since 17 October 2019, the Bank has been subject to an increased litigations in Lebanon and abroad, as a result of the restrictive measures adopted by Lebanese banks in relation to the withdrawal of funds and transfers abroad, as well as in relation to the repayment by customers of local foreign currency loans in Lebanese Liras. Management is carefully considering the impact of these existing litigations and claims against the Bank in relation to these restrictive measures. 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. Due to recent development and the increasing trend in judgments ruled in favor of the plaintiffs and customers during 2022 and 2023 in Lebanon and abroad, management considers that they may affect negatively the liquidity of the Bank (refer to Note 45). The amount cannot be determined presently. At the balance sheet date, shares owned by the Bank in certain local and foreign subsidiaries were placed under seizure, by court orders in relation to litigations raised by customers for the transfer of funds abroad.

47 LITIGATION RISK (continued)

Complaints have also been filed by groups of individuals against "Lebanese banks" and the chairmen of their board of directors for alleged committed crimes of tort and fraudulent bankruptcy, money laundering, fraud and breach of trust, which resulted in different legal decisions and actions on several banks. With respect to BLOM Bank SAL, the Bank was the target of restraining orders preventing it from disposing of its assets in addition to accusations of violation of the banking secrecy law. The Bank has sought legal expertise on the matter: common consensus converges toward the fact that the claims are baseless and with no legal grounds. On 19 January 2023, the Public Prosecutor of Appeal in Mount Lebanon decided to exclude the Bank from any suspicions related to money laundering activities. On 4 May 2023, a decision was rendered by the Disciplinary Council of Judges in Lebanon to suspend and dismiss the Public Prosecutor of Appeal in Mount Lebanon, noting that the decision is subject to the Supreme Disciplinary Authority. Management and its legal counsels are in the opinion that the case will be dismissed for the lack of legal grounds. On 27/7/2023 the Public Prosecutor of Appeal in Mount Lebanon granted a motion to dismiss the case against BLOM for absence of criminal offense on the bases of non- violation non - preferential treatment in the transactions carried out by the Bank with its clients, as well as the non- violation of the directives and practices in force since the start of the crisis. The said plaint, previously dismissed by the judge Ghada Aoun, is, after being reinstated for further investigation, now closed by the same judge in respect to Blom Bank SA, in view of the investigations and the findings of the expertise conducted a the request of the judge, in addition to all the documents presented by Bom Bank SAL. A new judge has been appointed to replace judge Aoun as she has retired.

Class-action lawsuit was filed by Lebanese depositors against certain Lebanese banks. The lawsuit is still at the initial stage and was just deposited for now to be approved as a class-action lawsuit in the US. The request is now different as they are not requesting cross-border transfer but they are asking for damages resulting mainly for the violation of the Racketeer Influenced and Corrupt Organisations ACT (RICO ACT). The summons have been issued against the defendants but the Bank was not notified yet.

In addition, the Bank may, from time to time, become involved in other legal or arbitration proceedings which may affect its operations and results. Litigation risk arises from pending or potential legal claims against the Bank (note 39).

48 POLITICAL RISK

External factors which are beyond the control of the Bank, such as political developments and government actions in Lebanon (note 1), may adversely affect the operations of the Bank, its strategy and prospects. Other important political risk factors include government intervention on the Bank's activities and social developments in the countries in which the Bank operates, political developments in Lebanon, and political or social unrest or military conflict in neighbouring countries and/or other overseas areas. Given the above, the Bank recognises 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 Bank's activities, operating results and position.

49 CAPITAL MANAGEMENT

The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Central Bank of Lebanon, which is the lead supervisor of the Group.

Central Bank of Lebanon Intermediate Circular 567, issued on 26 August 2020, Intermediate Circular 649, issued on 24 November 2022, Intermediate Circular 659, issued on 21 January 2023, Intermediate Circular 685, issued on 28 December 2023, Intermediate Circular 689 issued on 2 February 2024 and Intermediate Circular 726 issued on 6 February 2025 introduced several key changes to 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% initially and then again to 75% (the latter level to be reached by 31 December 2026). Regulatory ECL for other exposures remain unchanged. These levels remained applicable in 2024.

49 CAPITAL MANAGEMENT (continued)

Type of financial instrument	***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%

- Requesting banks to increase their own funds (capital) by an amount equivalent to 20% of their Common Equity Tier 1 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. The Central Bank of Lebanon’s Central Council may exceptionally approve a bank’s completion of 50% of the 20% required capital increase through the transfer of real estate assets owned by the shareholders to the concerned bank. However, these real estate assets must be liquidated during a 5-year period following regulatory approval date on this transaction.

- Inclusion of gains from Foreign Currency Translation Adjustments in Common Equity Tier 1, effective from 2023 whereas regulation prior to amendments brought by Intermediate Circular 689 included only losses from Foreign Currency Translation Adjustments in Common Equity Tier 1 and 50% of gains in Tier 2 capital. The change in the official published exchange rate from LL 15,000 to the US Dollar to LL 89,500 to the US Dollar, as at 31 December 2024 compared to 31 December 2023 (2023: LL 1,507.5 to the US Dollar to LL 15,000 compared to 31 December 2022) should be taken into consideration.

- Inclusion of 75% of cumulative change in the fair value of financial instruments classified at FVTOCI in Common Equity Tier 1, instead of 50% of the gain in Tier 2, as was the case previously.

- Inclusion of 75% of revaluations gain of owned real estate properties (excluding ones acquired in settlement of bad debt as per Article 154 of the Code of Money & Credit) in Common Equity Tier 1, instead of 50%. The regulatory deadline for completing the reappraisal process for such properties was set on 31 December 2025.

- Exceptionally during 2020 and 2021, allowing banks to draw down the 2.5% capital conservation buffer on condition of rebuilding it progressively starting 2022 by not less of 0.75% each year, to reach the minimum required level of 2.5% by the end of 2024. Following issuance of BDL Intermediate Circular 689, Banks were once again allowed to draw down completely the 2.5% capital conservation buffer in 2023 and 2024.

- Prohibiting banks from distributing dividends if capital adequacy ratios drop below 7% for Common Equity Tier 1, 10% for Tier 1 and 12% for total capital (compared to the regulatory minimum limits of 7%, 8.5% and 10.5% respectively, including a 2.5% capital conservation buffer).

- Exceptionally for 2020 and 2021, allowing the Bank to include provisions for expected credit losses on Stage 1 and 2 exposures, excluding those relating to Lebanese sovereign and the Central Bank of Lebanon, under regulatory Common Equity Tier 1 (previously only Stage 1 allowances were included in Tier 2 capital, subject to a 1.25% cap relative to credit risk-weighted assets). Such provisions included under CET 1 should be amortised over a period of 3 years starting 2022 and ending in 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.

- Exceptionally authorizing Banks the inclusion in Tier 2 of provisions for risk and charges, treated as General Provisions, up to a limit of 1.25% of Credit Risk-Weighted assets.

49 CAPITAL MANAGEMENT (continued)

The following table shows the applicable regulatory capital ratios:

	Common Tier 1 Capital Ratio	*Tier 1 Capital Ratio*	*Total Capital Ratio*
31 December 2024			
Minimum required capital ratios (waiver from capital conservation buffer)	**4.50%**	**6.00%**	**8.00%**
With the full capital conservation buffer of 2.5% (applicable in 2024)	**7.00%**	**8.50%**	**10.50%**
31 December 2023			
Minimum required capital ratios	4.50%	6.00%	8.00%
With the full capital conservation buffer of 2.5% (applicable in 2024)	7.00%	8.50%	10.50%

	2024 ***LL million***	*2023* *LL million*
Risk weighted assets:		
Credit risk	**1,425,681,962**	268,172,930
Market risk	**135,550,261**	24,711,343
Operational risk	**96,434,689**	19,123,718
Total risk weighted assets	**1,657,666,912**	312,007,991

The regulatory capital including net income for the year as of 31 December is as follows:

	2024 ***LL million***	*2023* *LL million*
Tier 1 capital	**110,851,360**	16,247,614
Of which: common Tier 1	***110,850,956***	*16,247,532*
Tier 2 capital	**1,538,196**	382,295
Total capital	**112,389,556**	16,629,909

The capital adequacy ratio including net income for the year as of 31 December is as follows:

	2024	*2023*
Capital adequacy – Common Tier 1	**6.69%**	5.21%
Capital adequacy – Tier 1	**6.69%**	5.21%
Capital adequacy – Total capital	**6.78%**	5.33%

The capital adequacy ratios as at 31 December 2024 and 31 December 2023 were calculated based on the recorded figures and do not take into consideration the adjustments that may result from the resolution of the uncertainties reflected in Note 1. Due to the high levels of uncertainties, the lack of observable reliable indicators, and the lack of visibility on the government's plans with respect to: (a) the high exposures of Lebanese 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 the Group's capital adequacy. Management has concerns about the effects that the above matters will have on the capital of the Group and the recapitalisation needs that may arise once the necessary adjustments are determined and recorded.