

ANNUAL REPORT

20
19





20
19

ANNUAL
REPORT

CONTENTS.

Statement of the Chairman General Manager	04
International and Local Awards	08
Financial Highlights	10
<hr/>	
01	12
CL Group Medium-Term Strategy	14
Credit Libanais' Identity	15
Facts and Figures	16
Corporate Governance	17
Macroeconomic Operating Environment	32
<hr/>	
02 Business Segments Activities and Analysis	34
Retail Banking Activities	36
Marketing and Business Development	38
Electronic Banking	40
Corporate Banking	42
Corporate Responsibility	43
Affiliated Companies	45
Treasury, Global Markets, Asset Management and Private Banking	48
Investment Banking (CLIB)	49
<hr/>	
03 Control Functions Activities and Analysis	52
Risk Management and Strategy	54
Internal Audit	63
Compliance and AML/CFT	66
Consumer Financial Protection	71
<hr/>	
04 Support Functions Activities and Analysis	72
Banking Information Technologies	74
Human Resources	76
<hr/>	
05 Financial Statements	78
CL Group Financial Results	80
CLIB Financial Results	182
CLA Financial Results	194
<hr/>	
06 Branch Network and Correspondent Banks	204
CL Network in Lebanon	207
CL Network Worldwide	212
Correspondent Banks Network	213
<hr/>	
07 CL Milestones	214



Statement of the CHAIRMAN GENERAL MANAGER

The year 2019 was another challenging year for the Lebanese economy as a whole, and the banking sector in particular. In this context, political bickering and security incidents during the month of July, left little room for the implementation of the direly-needed and long-awaited reforms in vital sectors such as the energy, environment, fighting corruption, and most imminently, public debt restructuring and public deficit rectification. It goes without saying that such reforms are essential prerequisites set by the international community and CEDRE donors, prior to the disbursement of any aid to Lebanon; yet the negligence of successive governments in implementing the necessary reforms led the country to dreadful outcomes. One must not also forget the heavy burden of more than 1.5 million Syrian refugees in Lebanon, added to the already complicated geopolitical conjuncture, which are all factors that increased risks and jeopardized the precarious situation.

Consequently, most sectors were hardly hit, economic performance plummeted, ratings were downgraded and confidence, shaken. The brittle socio-political situation culminated in massive protests on October 17th, 2019 as people vented their anger against corruption and poor public services, which led to a temporary shutdown of public and private institutions. The protests, the shutdown and the resignation of the government pushed people to run to withdraw their deposits and/or to convert their LBP-denominated deposits to the USD; subsequently, LBP exchange rate against the USD broke the 2,000 threshold during the month of December 2019.

The shattered confidence weighed heavily on banks operating in Lebanon, which compelled the Association of Banks in Lebanon, in the absence of a capital control law, to place some restrictions on withdrawals and transfers and in an attempt to safeguard the best interests of all depositors, since no bank in the world can afford a withdrawal of all of its customers deposits at the same time, given the nature of banking operations. The banking sector witnessed a 13.11% annual contraction in the combined balance sheet of resident commercial banks to around \$216 billion by end of December 2019, and to a deposit dollarization rate that increased to 76.02%, from 70.62% in 2018.

In the midst of such disruptive events, Credit Libanais strived to ensure a continuous service to its customers and respond to their daily banking needs. The rapidly changing circumstances revealed, more than ever, customers' increased requirements and reliance on digital banking services for their operations. Our dedicated teams in various divisions of the Bank therefore accelerated the path of Digital Transformation to reinforce the Bank's position in the e-banking and online services in an increasingly digital challenging world. We thus continued, over the course of the elapsed year, to leverage new technologies to ensure all these transformations are seamlessly implemented.

In 2019, many new features were added to the robust online banking application that supports data encryption at the highest SSL level, to the ATM network to ease customers' traffic inside the branches and therefore improve the service; and to the payment gateway supporting e-commerce transactions. Moreover, a variety of new cards were

issued with a multitude of features according to customers' segmented profiles and needs, based on the highest international security standards in the payment industry, with regards to transactions and data protection.

In the same perspective, the Bank's e-payment infrastructure has been upgraded to a new, highly dynamic and flexible platform to better accommodate the changing customers' banking behaviors, and to offer them an easy and enhanced payment experience. The step shall continue to drive business smoothly through a vigorous, reliable, secure and simplified system architecture, and shall streamline operational processes, to ensure a first-rate customer experience. In this framework in 2019, CL e-outreach encompassed more than 10,000 electronic point-of-sale, 180,000 banking cards distributed, 24/7 secure online banking services and customer service center, 97 ATMs, CL e-bank applications, to name but a few.

Subsequently, to ensure a high quality IT service across all operational touchpoints including branches and e-delivery channels, our information technology platforms run on the state-of-the-art Data Center designed based on Uptime Institutes' Tier III criteria for MEP works and structured cabling works, chilled water cooling system, redundant modular UPS, raised floor, Data cabinets and Cold Aisle Containment System, Metered and Monitored PDU, BMS, DCIM, Fire Alarm, FM200, IP CCTV and Access Control.

Moving forward with resilience, Credit Libanais shall continue to build on its footprint in Lebanon by providing retail, corporate and wealth management services, and shall compliantly and progressively adjust its business model to sustain its services to all stakeholders and to the Lebanese economy in general.

Lastly, I would like to extend a genuine word of gratitude to our shareholders for their continuous and valuable support, namely reflected in their cash contribution for capital increase (first tranche) at year-end 2019, as required by the Central Bank of Lebanon circular 532. A word of appreciation also goes to our customers and to our great people for their commitment to our values in this period of unprecedented compounded crises Lebanon and the region are going through, until better days prevail, and they will.

Dr. Joseph Torbey
Chairman - General Manager

The Prestigious “Lifetime Achievement Award 2019”

to Dr. Joseph Torbey by Visa International Inc.



On March 27, 2019, Visa International recognized Dr. Joseph Torbey Chairman General Manager of Credit Libanais Group with the prestigious “Lifetime Achievement Award”, which is defined as:

“A recognition for Dr. Torbey for his long and historical contribution in setting up and growing Visa business in Lebanon, electronic payments industry, and the banking sector in general. This is a unique award that hasn’t been given to anyone else in Lebanon and to very top few executives in the MENA region.” VISA Inc.

The Award Ceremony was held in the presence of Mr. Andrew Torre, Visa Inc. CEMEA Regional President who oversees more than ninety countries in the region, along with a high delegation of Visa officials, Credit Libanais board members and senior executives and staff.

The Golden Decoration “Arab Banker of the year 2019”

To Dr. Joseph Torbey conferred by the Union of Arab Banks

Rome – Italy – June 2019



On June 25, 2019, Dr. Joseph Torbey was awarded the Golden Decoration “Arab Banker of the year 2019” by the Union of Arab Banks during the International Arab Banking Summit held in Rome, Italy under the patronage of Prime Minister H.E. Mr. Giuseppe Conte, and the distinguished presence of Dr. Ahmed Aboul Gheit, Secretary-General of the League of Arab States, HE Dr. Mahmoud Mohieddin, Senior Vice President at the World Bank Group, governors of Arab central banks, representatives of the World Bank, the IMF, NATO Department of Political Affairs as well as Lebanese and Italian officials and bankers.

The title conferred to Dr. Torbey is a distinguished award presented annually by the Union of Arab Banks (UAB) to the most prominent Arab Banker of the Year.



National And International Stakeholders' Awards to Credit Libanais

- Signature of the "Investors for Governance and Integrity - IGI Declaration". (2019)
- Union of Arab Banks (UAB) recognizes Credit Libanais with the Reconstruction and Development Award. (2017)
- World Union of Arab Bankers (WUAB) grants Credit Libanais the Safest Bank Award. (2018-2017)
- The Middle East Security Awards (MESA) Conference grants Credit Libanais the CISO (Chief Information Security Officer) 100 Award. (2018-2017-2016)
- Cross Knowledge E-learning Iquad Solutions recognizes Credit Libanais with the Best E-learning Roll-out Academy Award. (2014)
- The Social Economic Award (SEA) grants Credit Libanais the National and Social Impact Award (2014), and the Housing loans Category Award for financing stability in the lives of Lebanese families (2012).
- World Finance Banking Awards names Credit Libanais the Best Commercial Bank in Lebanon. (2013)
- The World Confederation of Businesses grants Credit Libanais the Peak of Success Award. (2013-2009)



Correspondent Banks Awards to Credit Libanais

- JP Morgan recognizes Credit Libanais with the STP Excellence Award. (2017-2015-2013)
- Citibank recognizes Credit Libanais with the STP Excellence Award. (2016-2015-2014)
- Deutsche Bank recognizes Credit Libanais with the Euro STP Excellence Award. (2017-2014)
- Standard Chartered grants Credit Libanais the STP USD Clearing Excellence Award. (2014-2013)

Financial Highlights

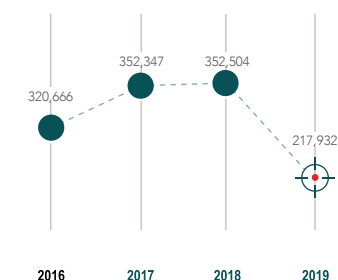


As at 31 December

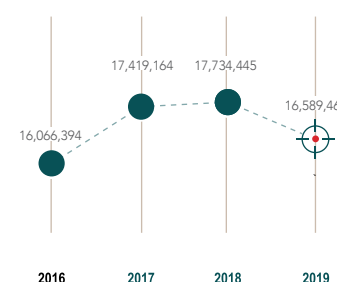
(millions LBP)	2019	2018	2017	2016
Balance Sheet				
Total Assets	16,589,465	17,734,445	17,419,164	16,066,394
Customer Deposits	12,862,059	13,854,285	14,021,735	13,427,483
Shareholders' Equity	1,336,016	1,338,602	1,393,439	1,310,549
Loans & Advances to Customers	4,456,367	4,981,190	5,215,165	4,836,811
Income Statement				
Net Interest Income	186,917	275,407	279,363	245,704
Net Financial Income	217,932	352,504	352,347	320,666
Net Profit for the year	7,752	125,665	122,700	106,035
Return on Average Assets (ROA)	0.08%	0.82%	0.89%	0.81%
Return on Average Equity (ROE)	1.03%	12.02%	12.96%	11.46%
Growth				
Total Assets	-6.46%	1.81%	8.42%	7.27%
Customer Deposits	-7.16%	-1.19%	4.43%	5.95%
Solvency Ratio (as Basel III)	8.94%	16.57%	15.20%	14.75%
Loans & Advances to Customers	-10.54%	-4.49%	7.82%	8.09%
Loans to Deposits	34.65%	35.95%	37.19%	36.02%
Cost to Income	82.77%	57.54%	52.07%	57.41%

1.03%

PRE-TAX
Return On average
Equity (ROaE)



Sustainable Profitability
and Value Creation
Net Financial Income

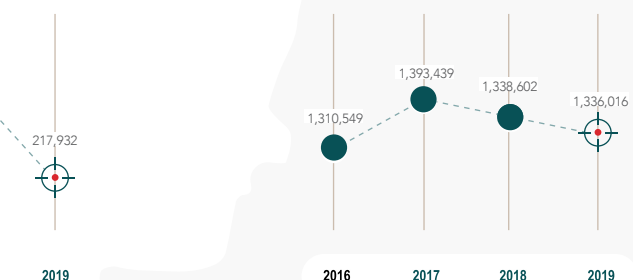


Growth Trend in the Banking Activity

Total Assets

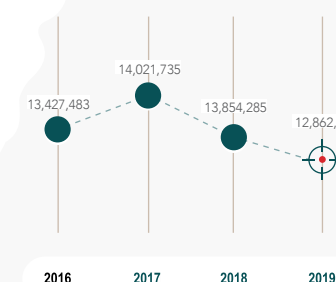
8.94%

Capital Adequacy Ratio
(as per Basel III)



Strong Capital Base

Shareholders' Equity

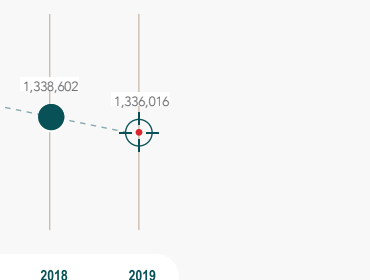


Growth Trend in the Banking Activity

Total Customer Deposits

-6.46%

Growth in Total Assets



Growth Trend in the Banking Activity

Loans & Advances to Customers



Roman Temple - Baalbeck, Lebanon



CL Group Medium-Term Strategy	14
Credit Libanais' Identity	15
Facts and Figures	16
Corporate Governance	17
Macroeconomic Operating Environment	32

01

CL Group Medium-Term Strategy

Following a period of social and economic unrest that characterized the end of 2019, the Lebanese Government announced on March 7th, 2020 that the Lebanese Republic will halt all upcoming foreign currency Eurobonds principal and interest payments. The country's woes were exacerbated by the spread of the Covid-19 pandemic and more recently by the massive explosion at Beirut port which left behind around 200 victims and billions of Dollars in damages.

In the midst of the significant degree of uncertainty, Credit Libanais prioritized maintaining its foreign currency liquidity and strengthening its core regulatory metrics, and was among the first banks in Lebanon to complete the first part of the capital increase required by the Central Bank of Lebanon. In this context, the Bank is also committed to completing the second part by end of the year 2020. In addition, Credit Libanais proceeded with the revaluation of its fixed assets which will contribute to strengthen its capital ratios representing a core cushion for the Bank, in parallel with accelerating the path of Digital Transformation.

Credit Libanais remains strongly committed to strengthening its footprint in Lebanon, and is taking necessary measures to restore its pre-crisis levels of Capital, Liquidity and Profitability, by focusing on below strategy pillars:

- **Accelerating the path of Digital Transformation** to build a stronger image for a digital Bank and reinforce the Bank's position in the E-banking and Business online services in an increasingly digital competitive world as such creating higher streams of revenues.
- **Re-considering CL domestic Strategy and Business Model.** The Bank realizes the crucial role that the Lebanese Banking sector will have to play in rebuilding the Lebanese economy. As such, the Bank is in the process of finalizing its Domestic Medium-Term Strategy, which will depend to a large extent on the Lebanese Government Approach to facing the systemic crisis. The Bank aims at repositioning its franchise value in a way to be of service to the Lebanese economy and the Bank's stakeholders;
- **Strengthening CL Capital Base** to be better equipped to weather the multiple crises in place and to add additional protection layers for its customers' deposits and stakeholders;
- **Maintaining and strengthening CL foreign liquidity** in line with the Central Bank of Lebanon requirements and the Bank's conviction that a foreign liquidity is key to business sustainability.

Credit Libanais' Identity

vision

Credit Libanais' purpose is to enhance shareholder, customer and employee value.

core values

Credit Libanais' core values are customer focus, innovation, teamwork, ethics, transparency and integrity as well as reward for performance.

mission

Credit Libanais is the preferred Bank in Lebanon for customers and employees.
Credit Libanais is primarily a retail Bank and serves selected corporate customers.

WE

Cooperate

We function as a team. Cooperation among individuals and units is fundamental in delivering the whole Bank to the customers.

Communicate

We are open. We encourage continual dialogue across all units and levels.

Empower

We emphasize delegation. Acceptance of personal accountability permeates our corporate culture.

Improve

We embrace change. We continuously seek better solutions to problems for the Customer and the Bank.

Serve

We deliver superior customer service. We gain customer satisfaction with service that exceeds customers' expectations.

Build

We continuously upgrade our skills. Commitment to self-development and training are the cornerstones of our competitive advantage.

Perform

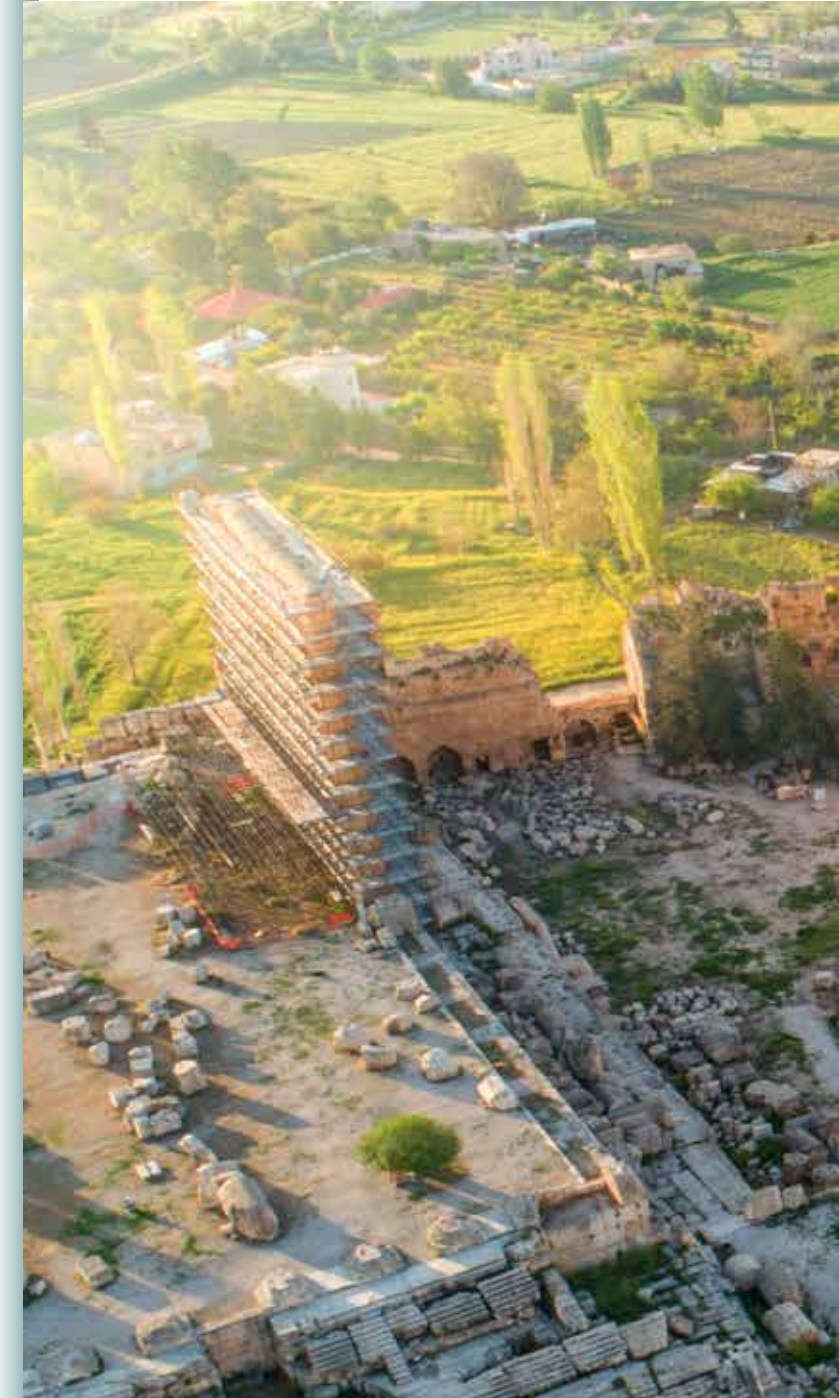
We increase productivity each year. Ethics and Profit per employee are key measures for Bank performance.

Act

We are action-oriented and encourage personal initiative. Can Do and Will Do are basic attitudes of all employees.

Respect

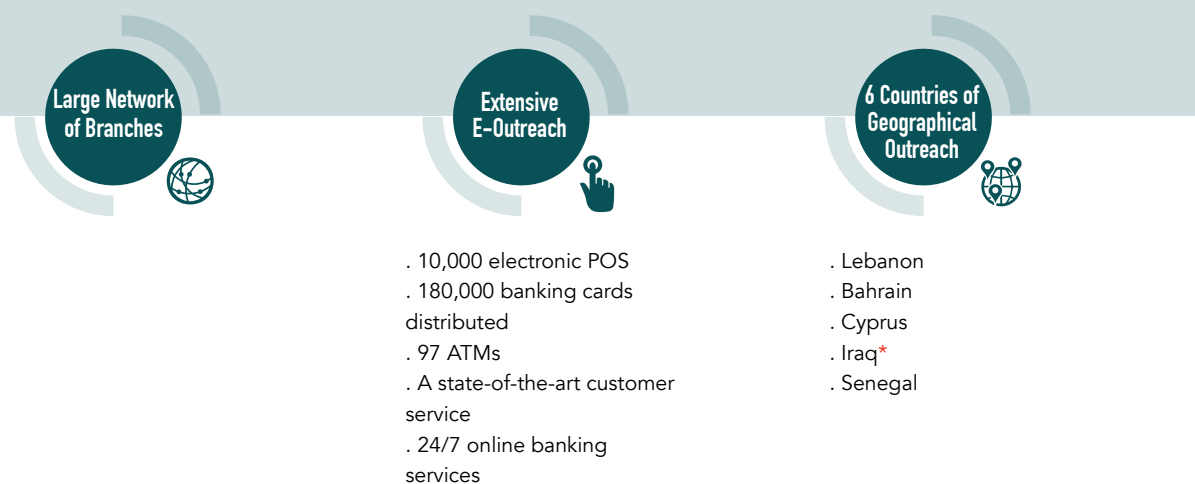
We value each others' ideas. We treat colleagues fairly, sincerely and courteously regardless of differences in background.



Facts and Figures



Credit Libanais Group



Corporate Governance

CL Group Corporate Governance Framework

Credit Libanais Group is committed to safeguarding the interests of all stakeholders and makes the Code of Corporate Governance publically available on the Bank's website. In this respect, the Board of Directors oversees the implementation of the Bank's governance framework and periodically reviews it, in light of any material changes to the Bank's size, complexity, geographical footprint, business strategy, markets and regulatory requirements.

As part of the overall CG framework, the Board and Senior Executive Management establish and make decisions related to the Bank's strategy and risk approach, articulate and monitor adherence to risk appetite and risk limits, capital and financial plans and remuneration policy, and identify, measure, manage and control risks. Therefore, CL Group continues to increase focus on risk and the establishment of effective risk governance framework, which includes identifying the responsibilities of CL Group concerned parties for addressing and managing risk. This is referred to as the "three lines of defence": Business lines, Risk Management and Internal Audit.

Board of Directors' Structure and Practices

The Board defines appropriate governance structures and practices for its own work, and puts in place the means for such practices to be followed and periodically reviewed for ongoing effectiveness. The Board structures itself in terms of leadership, size, frequency of meetings and the use of its committees to effectively carry out its oversight role and other responsibilities. The Board performs a yearly Self-Assessment through a structured Self-Assessment Questionnaire that is facilitated by the Corporate Governance, Nominations, Human Resources and Remuneration (CGNHRR) Committee.

Remuneration Policy and System

1. The Board established a Board Remuneration Committee as an integral part of its governance structure and organization, to recommend and oversee the Remuneration System's design and operation.

2. CL has developed a remuneration policy and system, approved by the Board upon the recommendation of the CGNHRR committee. It is a coherent and transparent system, translating the Bank's objectives for good corporate governance, and is consistent with the Banks' culture, business strategy, objectives, values, control and performance environments, as well as the long term interests of the Bank, taking into account the legal and regulatory requirements. The performance management process aims at creating opportunities to motivate and engage people by linking reward to performance on a fair, suitable and equitable manner. No deferrals or clawbacks arrangements are being made for the moment, except for legally required matters.

3. Remuneration is based on measurable performance as well as goal achievements and results, translated into various schemes and incentive programs, taking into account all matters associated with the Bank financial status and interests. Linking reward to performance has a direct impact on the overall results of the Bank, and plays an important role in motivating employees.

4. Total amount of remuneration is based on a combination of factors: assessment of the employee performance and the business unit concerned, the employee' professional experience and academic qualifications as well as their organizational responsibility, and the overall results of the Bank. This process contributes to motivating, developing and retaining talent within the Bank, despite the fierce competition. Noteworthy that remuneration is governed by the principles of non-discrimination and equitable treatment.

5. Remuneration comprises the fixed and variable elements such as the basic salary and the performance-based bonuses in addition to the legal benefits and allocations, taking into account the suitability standards with regards to employees selling products and services to customers. Employees performing internal control functions are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

6. As reported in the Bank's Financial Statements, Key management personnel compensation for the year 2019 consisting of short-term benefits amounted to LBP 8,988 million. More details are further elaborated in the "Financial Results" section of this Report.

Assets and Liabilities Management (ALM)

ALM function supports the capital and liquidity management process, governed by the Group Asset and Liability Committee (ALCO). ALM is responsible for the development of the Group's investment policies, market risk, interest rate risk and liquidity risk, in addition to the hedging of foreign exchange exposures of capital investments abroad, managing capital ratios, and the Group-wide capital requirements.

Capital and Liquidity Adequacy as per Basel III requirements

CL Group commits to abide, and restore where needed its capital structure in line with national and international requirements in terms of capital adequacy regulatory framework, internal capital adequacy assessment process, Basel III, liquidity coverage ratio, loan impairment, related specific and collective provisions as well as general reserve for the loan portfolio. CL Group abides by the quantitative and qualitative requirements of the third pillar of the Basel accord and its subsequent updates.

Audit, Risk Management, Compliance and other Internal Controls

The Bank's Audit, Risk Management, Compliance and other Internal Control functions have the necessary authority, stature, independence, resources and access to the Board to carry out their duties, in an independent and transparent manner. Those functions keep pace with changes related to the Bank's risk profile, including its organic and international growth. An open and timely internal communication within the Bank concerning risk, audit and compliance is ensured, both across the organization and through reporting to the Board and SEM. Three Board committees: Audit Committee, Risk Committee are constituted at level of each CL entity with at least quarterly meetings and reports issued / reviewed and sent to the Board.

Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT)

On November 24, 2015, the Lebanese Parliament ratified the Law 42 on the declaration of amounts of carried cash at the border, Law 43 on the exchange of tax information, Law 53 on the International Convention for the Suppression of the Financing of Terrorism, Law 44 on AML/CFT, and consequently the BDL issued BDL Basic Circular No. 136 related to the implementation of FATF Recommendation 6 concerning UN Security Council Resolutions 1267 (1999), 1988 (2011), 1989 (2011), and any related successor resolutions.

In the increasing interconnected and risky business world, CL banking group provides particular attention to AML/CFT and complies with all the national and international laws and regulations issued, across all entities of the group, financial institutions, correspondents and customers, especially those seeking to engage in cross-border transactions or to utilize correspondent banks. For this purpose, CL Group created at the level of the Parent Bank and each of the Banking and Financial Institution Subsidiaries, Board AML/CFT Committees, to ensure adequate AML/CFT practices throughout the Group.

The Foreign Account Tax Compliance Act (FATCA) and CRS Compliance

FATCA was enacted into United States (US) law on March 18, 2010 and the related regulations were issued on January 17, 2013. FATCA requires Foreign Financial Institutions (FFIs) to report to the US Internal Revenue Services (IRS) information about financial accounts held by U.S. taxpayers, or by foreign entities in which U.S. taxpayers hold a substantial ownership interest. Lebanese banks like all FFIs worldwide comply with FATCA since July 1, 2014. Therefore, CL Group has the responsibility of identifying US tax payers among its clients and for reporting to the US Internal Revenue Services (IRS) names and accounts' information and CL Group only undertakes business relations with FATCA compliant FFIs. The Bank is also in compliance with the Decree no. 1022 which outlined the Common Reporting Standard's (CRS) implementation requirements. It is related to point 3 of Article 6 of Law No. 55 dated 27 October 2016 related to the automatic exchange of information and the commitment of Lebanon to join the Common Reporting Standard.

CL Group Reporting

CL Group reporting is made in accordance with International Financial Reporting Standards (IFRS), providing for a high degree of transparency and facilitating comparability with international peers. Complying with regulatory requirements, CL Group's Annual Report has become richer in terms of disclosures and information.

Internal Communications

To optimize top-down and bottom-up channels of communication between staff and management the internal communication platform informs, educates and encourages CL staff to share views across the Group, sister companies and entities abroad. Information is regularly communicated to stakeholders via various internal and external e-channels.

CL Group Employee Handbook

The handbook elaborates on the rights and duties of employees. It also incorporates CL Code of Conduct for Directors and Employees and CL code of Conduct and Ethics for the Treasury and Capital Markets Division, business ethics and requirements to ensure that activities are conducted with integrity and honesty and is made available to all staff on the Bank's intranet portal. In case of breaches to CL core principles and values, a disciplinary council takes corrective action to ensure that CL culture of trust is well preserved and respected by all staff.

CL on Social Media Platforms

The Bank's internet website and social media platforms make available, in a transparent manner, all CL activities, products and services to customers on-the-go. Those are continuously updated to cater to the more demanding needs of the Bank's virtual customers.

Corporate Citizenship and Responsibility

CL Group embeds corporate responsibility in all its activities to ensure that sustainability is rooted in all aspects of the business. CR initiatives are reported internally, in the Annual Report, as well as on the UN Global Compact website.

Composition of the Board of Directors

CL Group is governed by a board consisting of twelve members, who are leading bankers and businessmen enjoying wide and diverse expertise in Lebanon and the region. Board Members are elected by the General Assembly of shareholders for a term of three years. The Board is of an appropriate size to oversee the Group's businesses, with a suitable diversity of backgrounds and a mix of experience and expertise to maximize efficiency.

On May 10, 2019, Mr. Efstratios Georgios Arapoglou moved from his membership at the Board of Directors of Credit Libanais sal following his appointment as Chairman of the Bank of Cyprus during the latter Annual General Assembly Meeting held on Tuesday 14 May, 2019. Following this, CL General Assembly elected Mr. Hesham Elbosaty to the Board of Directors on November 14, 2019.

Biographies of the Board of Directors



Chairman General Manager

Dr. Joseph Torbey is the Chairman General Manager of Credit Libanais Group since 1988. After graduating from university, he held numerous public functions, including Controller at the Lebanese Audit Court and the Ministry of Finance, where he headed the Income Tax Department. Very active on the professional level, he serves as Chairman of the World Union of Arab Bankers (WUAB) since 2006, which is the premier Arab professional organization for Arab bankers and finance professionals. He is also Chairman of the Executive Committee of the Union of Arab Banks (UAB) since 2007, a Union which Board he chaired for two consecutive mandates from 2001-2007, and which is the regional organization that comprises more than 320 Arab financial and banking institutions.

Dr. Torbey served as Chairman of the Association of Banks in Lebanon (ABL) for many mandates (2001-2003; 2009-2013 and 2015-2019). He is also a founding Member of the Union Bancaire Francophone (UBF) through his position at the UAB and ABL. He served as Chairman of Credit Card Management (1994 -2009) and Chairman of the International Payment Network (1997- 2008).

On the Academic front he is Member of the Executive Committee and Member of the Board of Trustees of the Arab Academy for Banking and Financial Sciences (Jordan) since 2001. He is the co-founder and served as the first Chairman of the Institut Supérieur d'Etudes Bancaires (ISEB) at St Joseph University (Beirut); Member of the Board of Trustees of the Arab Centre for the Development of the Rule of Law and Integrity (ACRLI) and Member of the Board of Trustees at Louaizeh University, Lebanon. He was awarded the Honorary Professor at the University of Vienna, and has lectured at major universities in Lebanon.

Dr. Torbey is very active in developing strategies at the national and Arab levels through the ABL, UAB and WUAB. Seminars and conferences organized with the participation of leading private and public international institutions and regulators aim at spreading the banking best practices across the Arab Banking communities operating in a very complex global market. He published numerous publications on various banking, financial and taxation issues.

He has won many regional and international accolades for his accomplishments in the banking industry; the latest being the "Lifetime Achievement Award" in March 2019 awarded by Visa International Inc., "In appreciation for his long and historical contribution in setting up and growing Visa business in Lebanon, electronic payments industry and the banking sector in general". Also, in June 2019, Dr. Torbey was named the Arab Banker of the year 2019 by the Union of Arab Banks (UAB) in Rome, Italy. The Award is the highest recognition presented annually to the most distinguished Arab banker.

Members



CIH Bahrain International Holding sal Represented by Mr. Abdulla Alsaudi

Mr. Abdulla Alsaudi, a world-renowned and respected international banker. Founder of the Libyan Arab Foreign Bank, where he served as Executive Chairman establishing branches of the Bank worldwide. Founder of the Arab Banking Corporation, Bahrain where he served as President and Chief Executive.

In November 2018, Mr. Abdulla Alsaudi was awarded the prestigious "Arab Banker of the Year" Decoration by the Union of Arab Banks for his outstanding achievement in the banking industry.

In addition to being voted one of the most Innovative Bankers by the representatives of governments and international commercial bankers attending the IMF and World Bank meetings in 1980, Mr. Alsaudi has won many international accolades, including an Award at Georgetown University and the Award of Best Banker from the Association of Arab American Banks in New York in 1991. He was the first to receive the Arab Banker of the Year Award in 1993 from the Union of Arab Banks. In recognition of his role in the development of banking relationships between Arab and European countries, Mr. Alsaudi received several awards, amongst which are those awarded in 1977 by the King of Spain and the President of Italy and that given to him by the President of Tunisia in 1996. He is currently the Executive Chairman of ASA Consultants W.L.L., Bahrain.



Dar Al-Handasah Consultants Shair and Partners Holdings Ltd Represented by Mr. Talal Shair*

Mr. Talal Shair is the Chairman and CEO of Dar Al-Handasah Consultants (Shair and Partners) and of the Dar Group. Under Mr. Shair's leadership, Dar has grown into a multinational corporation that provides world-class services on equal footing with the best international consultancy firms. Dar Al-Handasah Consultants has built a tradition of excellence in offering high-performance planning and providing customers with innovative designs transforming customers' ambition into reality. The Group has become today one of the world's top international professional services firms, with over 18,000+ staff in 200 offices spanning the Americas, Europe, Australasia, the Middle East, Africa and Asia. In October 2018, Hyperloop Transportation Technologies (HyperloopTT) announced Dar Al-Handasah Consultants (Shair and Partners) as the design lead on a project that will forever redefine the transportation sector in the Middle East region and beyond. With this achievement, Dar al-Handasah forever cements its place as the Middle East's go-to company for any visionary and transformational project.

Mr. Shair is a member of the Board of Trustees of the American University of Beirut since 2010, International College, and the King's Academy in Jordan; a member of the MIT SA+P Dean's Advisory Council, USA; a founding member of the Young Presidents' Organization, Cairo Chapter; and a board member of the Queen Rania Foundation and the Chief Executives Organization, Jordan. Mr. Shair is also a founding member of the BADER Young Entrepreneurs Program, and Chairman of the Building Block Fund.

In recognition of his unwavering commitment and dedication, Mr. Shair received in 2018 the "Lifetime Achievement Award" by René Moawad Foundation and was selected among the Top 35 Influential Lebanese Business Personalities by Forbes Middle East.

* until April 2020



H.E. Mr. Marwan Hamade served as Member of Parliament until his resignation as MP on August 5, 2020. He previously held various public responsibilities under numerous cabinets and served as Minister of Education, Minister of Telecommunications, Minister of Economy and Trade, Minister of Tourism, Minister of Health and Minister of the Displaced. He started his career as an economic and political columnist in an-Nahar and L'Orient-Le-Jour daily newspapers before serving as an-Nahar Group President and Director. He also served as member of the Higher Council of the Lebanese Press; Consultant for the World Organization of Health for the Middle East; member of the International Committee of Bioethics at UNESCO and is currently member of the Strategic Council at St Joseph University in Beirut.



Mr. Hesham Mostafa Elbosaty** is the Managing Director and Group Treasurer of EFG Hermes Holding, the leading investment bank of the Arab world. He is mainly responsible for the management of EFG Group relationships with Financial Institutions, the management of the Group's liquidity, Credit lines and Investments across the countries of operation of the Group. Prior to assuming his current role, Mr. Elbosaty served as the Group Treasurer and Member of the PICO Leadership Team "PLT" (PICO International Petroleum /Cheiron Petroleum Corporation) across many countries of operation.

Among the numerous memberships and activities Mr. Elbosaty is actively engaged in, he serves as Board Member at EGH Hermes for Securitization; Member of the International Capital Markets Association ("ICMA"), Member of the ACI Financial Markets Association ("ACI"), Member of the Egyptian Investment Management Association, a professional Association established in 2000 that represents Asset and Investment Management companies under the supervision of the Egyptian Financial Supervisory Authority (EFSA), to name by a few.

**since November 14, 2019



Mr. Mohamad Wajih El-Bizri is an influential Lebanese businessman. He is the President of SIPES Group, one of the largest paint manufacturers in the Middle East, having production facilities in six Arab countries. Mr. El-Bizri serves as the Honorary Consul of the Republic of South Africa in Lebanon. He is also President of the International Chamber of Commerce in Lebanon, Vice President of the Association of Lebanese Industrialists and Vice President of Business in the Community Association in Lebanon.



Mr. Sarkis Demerdjian is a civil engineer and a prominent Lebanese businessman. He is the Chairman of Demco Group, Lebanon's leading steel supplier, trading and servicing company established in 1922, which has also ventured in the real estate industry, engaging various construction projects while preserving and respecting the environment. Mr. Demerdjian is member of the Council of Trustees of AGBU (Armenian General Benevolent Union) established in 1906 and present in many countries around the world.



Mr. Rabah Idriss is a well-known Lebanese businessman enjoying a wide expertise in the fields of finance, trade and manufacture of food products, and is very active in professional organizations, such as the Chamber of Commerce and Agriculture of Beirut, among many others.



Mr. Rabah Jaber is an influential Lebanese businessman. A prominent investor in Lebanon and overseas, he is active in various sectors encompassing real estate development and investment, industry, construction as well as hotels and tourism.



Mr. Abdulelah Abdu Mukred Ali is a world-renowned and respected international banker. He currently serves as Director for different companies, namely: Arab Asian Holding Company (Bahrain); Capital International Holding Company (Bahrain); LPC Government Securities Trading Company (USA) and Ceravision Limited (U.K). He also holds the position of Head of Treasury & Investments at Al Murjan Group (Saudi Arabia). He previously served as General Manager and Investment Division Head at Samba (Saudi Arabia) and as CEO of Al Murjan Trading and Industry Group (Saudi Arabia). Mr. Abdulelah Abdu Mukred Ali was also the Chairman of Board and Audit Committee of Prime Commercial Bank (Pakistan), Chairman of Audit Committee and member of the board of Credit Libanais (2001-2009), and currently serves as CL board member and Audit Committee member.



Dr. Michel Khadige is a prominent and well-known Lebanese banker, who has been serving Credit Libanais since 1988. He currently heads the Corporate Banking and Financial Institutions Division and sits on a number of Senior Executive Committees at the Bank. Dr. Khadige is a member of the General Rules and Banking Regulations Committee at the Association of Banks in Lebanon.



Me. Joe Issa El-Khoury is a renowned Lebanese lawyer enjoying a wide expertise in different areas of legal advisory, corporate governance, litigation, banking and insurance laws among other fields. Me. Joe Issa El-Khoury is member of the Beirut Bar Association and served on many international committees, among which the Committee for the modernization of laws established by the Central Bank of Lebanon and the Committee of the Lebanese Center of Arbitration. He also served as an editorialist at the Lebanese daily, L'Orient.



Secretary of the Board of Directors

Me. Adel Macaron currently serves as the Head of the Legal Department at Credit Libanais sal. He is member of the Beirut Bar Association since 1973 and serves as Credit Libanais sal Secretary of the Board of Directors.

Shareholding structure

The following table sets out the composition of the holders of the Common Shares, as at November 17, 2020

Shareholders / Group of Shareholders	Country (Ultimate Economic Ownership)	Percentage Ownership ⁽¹⁾
CIH Bahrain International Holding sal ⁽²⁾	Lebanon	35.06%
EFG Hermes CL Holding sal ⁽³⁾	Lebanon	8.81%
Others ⁽⁴⁾	Majority Lebanese	56.13%
Total Shareholding		100%

- (1) Percentage ownership figures represent both Common Shares owned by the named Shareholders and are expressed as a percentage of the total number of Common Shares issued and outstanding.
- (2) CIH Bahrain International Holding sal is the major shareholder, 35.06% majority Capital Investment Holding Manama Bahrain.
- (3) EFG Hermes CL Holding sal, owned by EFG Hermes CB Holding LTD (8.81%)
- (4) No shareholder among this percentage holds more than 5% of the capital of the Bank.

Dividend Policy

Upon recommendation of the Board and approval of the General Assembly, Credit Libanais Group has enjoyed a constant track record of dividend payments on Common Shares for the past 21 years, demonstrating the Bank's sustainability and value creation to shareholders.

However, in view of the current situation stemming from the economic and political developments in Lebanon and the COVID-19 pandemic, the Central Bank of Lebanon like major regulators worldwide, requested banks operating in Lebanon, under Article 3 of BDL Intermediary Circular no. 567 dated August 26, 2020, to fully recapitalize profits for the years 2020 and 2021.

Board Committees

The Board is supported by the Corporate Governance, Nominations, Human Resources and Remuneration Committee (CGNHRR Committee), the Audit Committee, the Risk Committee, the Anti-Money Laundering and Combatting the Financing of Terrorism Committee (AML/CFT Committee) and the Credit Policy Committee. Each Committee has an approved charter that sets out its mandate, scope and working procedures in order to support the Board in its duties.

Corporate Governance, Nominations, Human Resources and Remuneration Committee

The CGNHRR Committee is composed of one Non-Executive Director and two Independent Directors, one of whom acts as its Chairman. The CGNHRR Committee's main mission is to: (i) oversee Senior Executive Management's implementation of the Bank's Corporate Governance Framework, principles and corporate values, including the Code of Conduct; (ii) provide recommendations to the Board for the nomination of new Directors and members of Senior Executive Management; (iii) oversee the Human Resource

Policies; (iv) prepare and review periodically the Bank's Remuneration Policy and System ensuring their alignment with the Bank's strategy and the development of its operations; (v) set a Performance Evaluation System to evaluate the performance of all-level employees in an objective and transparent manner; and (vi) ensure that the compensation is effectively aligned with prudent risk-taking, consistent with the Bank's long-term strategy adjusted for all types of risk. The CGNHRR Committee Charter complies with the BDL Basic Circular No.106 and BDL Basic Circular No. 133. It meets at least twice a year, or more frequently as needed.

Audit Committee

The Audit Committee is composed of two Non-Executive Directors and two Independent Directors, one of whom acts as its Chairman. The Audit Committee's main mission is to assist the Board in its responsibilities, in terms of adequacy of accounting, financial reporting policies, internal control and compliance system. The Audit Committee also recommends the appointment, compensation, effectiveness and dismissal of external auditors; ensures the independence and effectiveness of the internal audit function; reviews and approves the scope and frequency of audits; and ensures that Senior Executive Management is taking the necessary corrective actions in a timely manner to address control weaknesses, non-compliance with policies, laws and regulations and other problems identified by internal and external auditors. In addition, the Audit Committee oversees the establishment of accounting policies and practices by the Bank. The Audit Committee Charter complies with BDL Basic Circular No. 118 dated July 21, 2008. External auditors are appointed for a renewable period of three years, with the partner rotation principle applying for a maximum period of five years in line with BDL Basic Circular No. 122 dated August 13, 2009. The Audit Committee meets at least once quarterly, or more frequently as needed.

Risk Committee

The Risk Committee is composed of two Non-Executive Directors and two Independent Directors, one of whom acts as its Chairman. The Risk Committee's main mission is to advise the Board on the Bank's overall current and future risk tolerance/appetite and strategy, and provides oversight of Senior Executive Management's activities in implementing group-wide risk management policies for capital and liquidity management, as well as credit, market, operational, compliance, reputational and other risks of Group CL. The effectiveness of the Risk Committee is further enhanced by receiving formal and informal communication from the Bank's Risk Management and Chief Risk Officer (CRO). The Risk Committee Charter complies with the BDL Basic Circular N°118. The Risk Committee meets at least once quarterly, or more frequently as needed.

Anti-Money Laundering and Combatting the Financing of Terrorism Committee

The AML/CFT Committee is composed of one Executive Director, one Non-Executive Director and one Independent Director who acts as its Chairman. The AML/CFT Committee's main mission is to advise the Board on the policies and procedures related to AML and CFT practices in Group CL and supervising their implementation by the Senior Executive Management. The Committee has to remain abreast of the new related laws and regulations in effect, and provide the Board periodically with the latest developments and propose any needed amendments to the policies and procedures applied in the Bank in line with such changes. Moreover, the Committee oversees the development of AML and CFT policies and the proper implementation of the AML and CFT principles, as detailed in Law No. 44 dated November 24, 2015, and all the circulars and regulations issued or to be issued by the Central Bank of Lebanon, the Banking Control Commission of Lebanon, the Special Investigation Commission and the Capital Markets Authority, and all International Regulations related to AML and CFT.

Credit Policy Committee

The Credit Policy Committee is headed by the Chairman - General Manager, and includes one Non-Executive Director, one Executive Director - the Group Head of Corporate Banking and Financial Institutions Division, the Group Head of Retail Banking and Branches Division, the Group Head of Risk Management and Strategy Division and the Group Head of Finance Division. The General Contoller - Group Head of Internal Audit Division participates as an observer. The Credit Policy Committee's main mission is to set the Bank's lending policies at the level of Group CL, in line with the Board's objectives. The Credit Policy Committee defines credit risk strategies, policies and limits for the efficient management of the various counterparty risk exposures, industries, aggregate exposures by product, segment of activity and country exposure on a stand-alone and consolidated basis. The Committee meets at least once a year, or more frequently as needed.

CL Committees at Management level

Each Committee has an approved charter that sets out its mandate, scope and working procedures in order to support the Chairman - General Manager in its duties. The Committees' respective authorities are of decisive and consultative nature, where all recommendations that require Board approval are submitted through the Chairman - General Manager for review, decision-making or ratification. The Board is kept informed of all the major decisions governing the Bank's overall activities as submitted and recommended by the various committees.

SENIOR COMMITTEES AT MANAGEMENT LEVEL

Management Committee

Foreign Entities Committee	Asset and Liability Committee
Human Resources and Training Committee	Credit Committees
Sales and Business Development Committee	Financial Institutions and Country Credit Committee
Information Technology Steering Committee	Compliance, Anti-Money Laundering and Counter-Financing of Terrorism Committee
Business Continuity Planning Committee	Information Security Committee

The Bank's various committees are established with clear missions, authorities and responsibilities. Recommendations made by any committees that require the Board of Directors' approval are submitted through the Chairman General Manager for review, decision-making or ratification.

Management Committee

The Management Committee regularly reviews the growth and performance of the Bank and ensures the execution of the Bank's medium-term strategy, policies and procedures as approved by the Board. The Management Committee plays a key role in ensuring the participation of key employees in managerial decision-making through regular communication and liaison with all regional managers. This Committee meets at least quarterly or more frequently as needed.

CL Management Committee

Chairman	Dr. Joseph Torbey	Chairman - General Manager
Members	Dr. Michel Khadige	BOD member and Deputy General Manager - Corporate Banking and Financial Institutions
	Mr. Michele Cherenti	Deputy General Manager - Retail Banking and Branches
	Mr. Georges Gerios	Deputy General Manager - Operations and Support Services
	Mr. Elie Abimrad	General Contoller - Internal Audit
	Mr. Alexandre Salem	Deputy General Manager - Treasury, Global Markets and Wealth Management
	Mrs. Nada Awad Rizkallah	Deputy General Manager - Risk Management and Strategy
	Mr. Georges Karkabi	Deputy General Manager - Investment Banking
	Mrs. Randa Bdeir	Deputy General Manager - E-Payment Solutions and Cards Technology
	Mr. Johnny Torbey	Deputy General Manager - Electronic Banking
	H.E. Dr. Alain Hakim	Assistant General Manager - Marketing and Business Development
	Mr. Badih Azzi	Assistant General Manager - Human Resources
	Mr. Nagib Ghanem	Assistant General Manager - Information Technology
	Mr. Charbel Mourad	Assistant General Manager - Finance
MCOM Secretary	Mrs. Nina Elhadj Srour	Head of Consumer Financial Protection and Corporate Publishing

Foreign Entities Committee

The Foreign Entities Committee (FEC) approves the medium-term strategy and annual business plans of foreign entities, reviews their business performance and evaluates their risk exposure. In addition, FEC ensures the compliance of foreign entities with applicable laws and regulations in their jurisdictions. The Committee places emphasis on the ongoing monitoring of regulatory compliance in the hosting country, risk management, anti-money laundering & terrorism financing, fraudulent activities and information security in foreign entities, and convenes at least quarterly or more frequently as needed.

Human Resources and Training Committee

The Human Resources (HR) and Training Committee is responsible for establishing the policies and procedures pertaining to human resources management and overseeing the execution of HR plans. The Committee also supervises orientation and training programs to existing and new staff. It reviews the Remuneration Policy and System, the Performance Evaluation System and the annual budget for training and development then submit them for the CGNHRR Committee approval. This Committee convenes quarterly or more frequently as needed.

Sales and Business Development Committee

The Sales and Business Development Committee ensures the introduction, maintenance and promotion of the Bank's various products and services to the market. Moreover, it introduces new and profitable products and services and ensures adequate funding and analysis of the risk-adjusted-return on capital of such products and services. The Committee coordinates and implements the Bank's overall advertising strategy, and monitors results and feedback. The Sales and Business Development Committee meets quarterly or more frequently as needed.

Information Technology Steering Committee

The banking Group Information Technology Steering Committee sets the general strategies and policies for developments relating to banking information technology, in accordance with the Bank's master strategic plan. The Committee's main objectives are to ensure the adequate functioning and development of information technology systems in line with the continuous development of systems, applications and services to support the Bank's expansion plans. This Committee convenes quarterly or more frequently as needed.

Business Continuity Planning Committee

The Business Continuity Planning (BCP) Committee ensures continuity of service to the Bank's customers and stakeholders in an efficient and timely manner in case of an eventual event that might disrupt the Bank's regular activities. The BCP Committee proposes policies, recommend priorities, and establishes plans to meet business continuity requirements and ensures adequate communication and training is maintained at Bank. The BCP Committee meets at least quarterly or more frequently as needed.

Asset and Liability Committee

The Group Asset and Liability Committee (ALCO) is responsible for managing and controlling the Bank's balance sheet and income statements, and formulating the general financial strategy of each business unit. ALCO reviews all activities of the Bank which impact balance sheet and income statement items. It focuses on risks and strategic issues related to interest rate monitoring, liquidity management and market risks, as well as their control and mitigation. The ALCO reviews and validates all relevant policies and procedures and ensures their compliance with regulatory guidelines pertaining to liquidity risks, investment portfolio risks, interest rate and foreign exchange risks, market risks, political and country risks, risks relating to the pricing of loans and deposits, profitability risks, and risks of unrealized gains and losses resulting from long-term positions, prior to submitting such policies and procedures to the Risk Committee and the Board for final approval.

Credit Committees

The Bank has a number of Credit Committees with different levels of lending authority, depending on the business segments concerned and the exposure. Credit Committees are responsible for ensuring the adequacy of the Bank's lending policies and compliance of lending activities with the Bank's credit policy and applicable laws and regulations. The Credit Committees meet regularly and ensure the implementation and monitoring of their decisions by the business owners under the supervision and control of the Credit Administration and Control departments that report to the Credit Risk Management Department. The presence of a member of the Risk Management Division is an integral part of the credit approval process and the monitoring of the Credit Committees' decisions.

Financial Institutions and Country Credit Committee

The Financial Institutions and Country Credit Committee approves the banks and financial institutions whom the Bank deals with or intends to deal with. The Committee defines the credit lines to be granted for each banking and financial institution counterparty in compliance with applicable laws and regulations, and in line with the Board's strategic objectives and the Group's financial institutions credit policy. Risk Management is an integral part of the approval process of the banks and financial institutions, and the monitoring of the Committee's decisions. This Committee meets on a monthly basis or more frequently as need be.

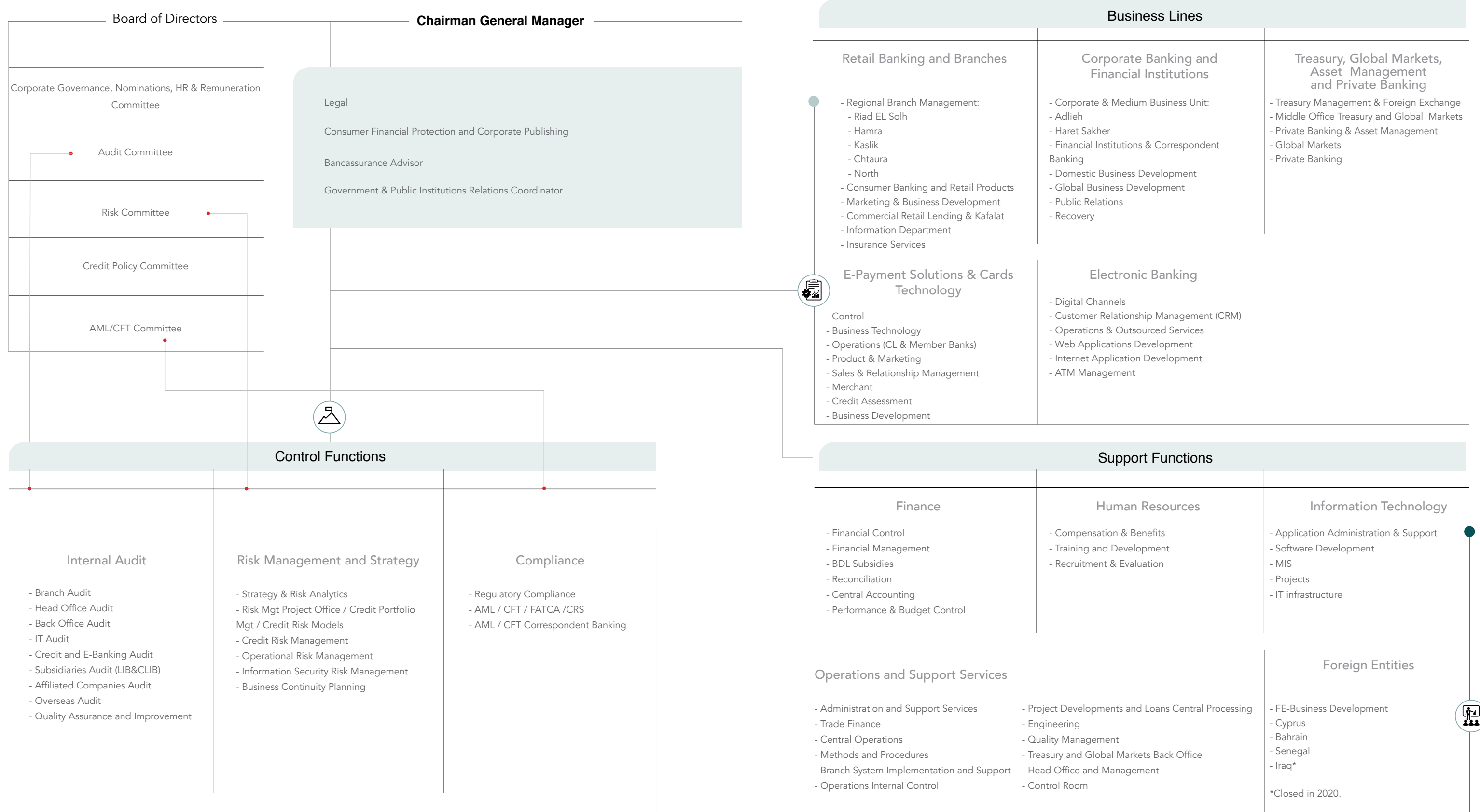
Compliance, Anti-Money Laundering and Counter-financing Terrorism Committee

The Compliance, Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) Committee reviews all relevant policies and procedures, in accordance with local and international laws and regulations. It reviews the AML/CFT systems adopted by the Bank and ensures that adequate are implemented to check Bank's customers and transactions. It closely monitors suspicious cases and takes pro-active steps to prevent AML/CFT fraudulent activities within the Bank. The Committee reports suspicious cases to the Special Investigation Commission at the BDL. It is also responsible for FATCA implementation and compliance. This Committee meets at least once quarterly, or on a need basis.

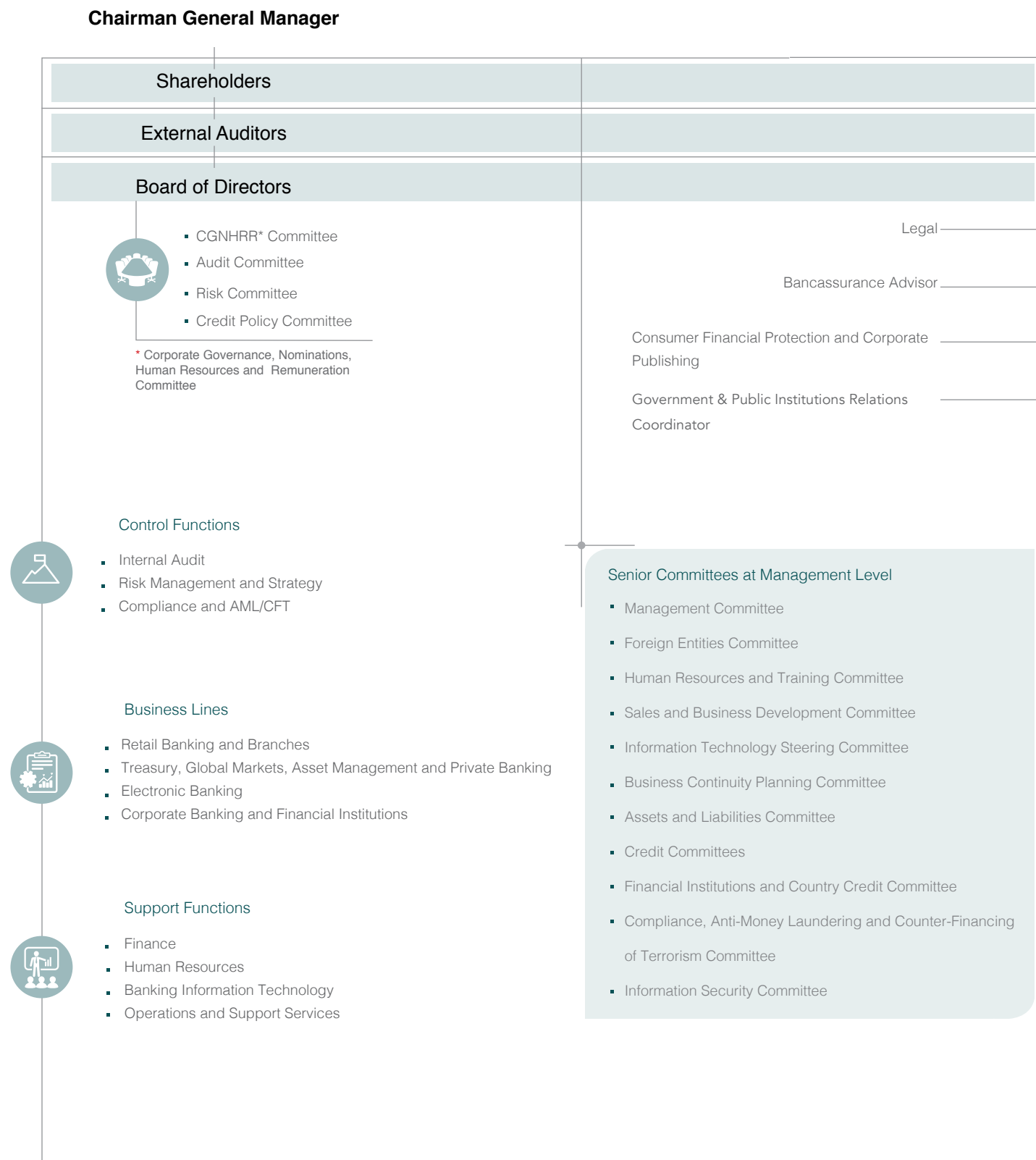
Information Security Committee

CL Group Information Security Committee reviews and approves CL Group's information security strategy, sets security policies and procedures and submits them for the approval of the Risk Committee and the Board. This Committee also reviews and approves the scope of security programs and related budgets; oversees the implementation of the security programs and the compliance of Payment Card Industry Data Security Standard (PCI-DSS) for the Bank and its affiliates; and provides solutions on how to deal with security breaches or control overrides. This Committee also recommends security training programs for the Bank's staff and convenes at least once quarterly.

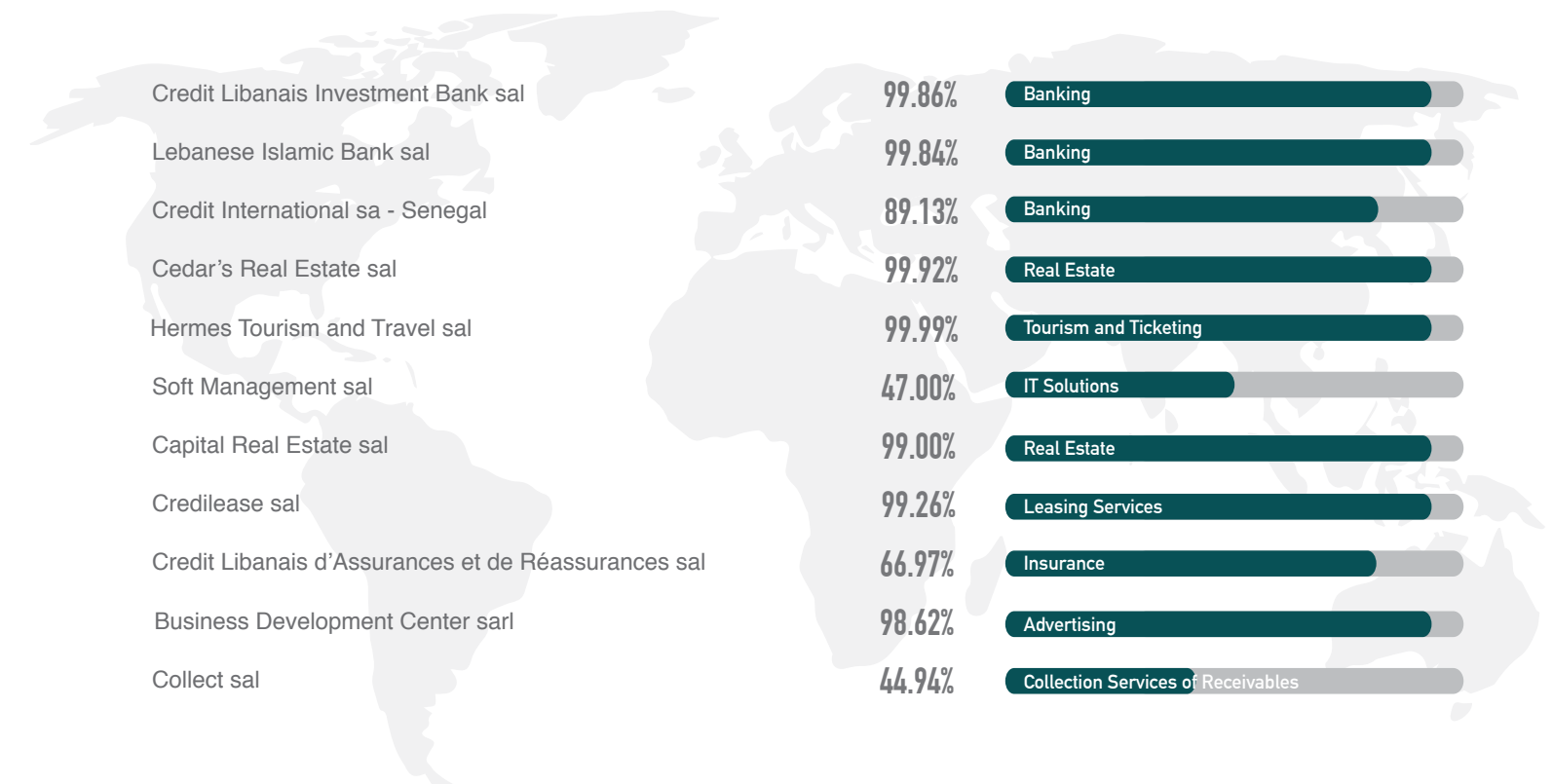
Organizational Structure



High Level Structure



Group Entities



Geographical Presence



Macroeconomic Operating Environment

The year 2019 was an agonizingly defining year for Lebanon with the formation of a new government at the turn of the year, after an eight-month delay, proving to be nothing more than a false dawn. In details, the habitual political scuffles and bickering added the security incidents during the month of July left little room for the implementation of much needed reforms, reforms that were viewed as a must by the international community and CEDRE donors before the disbursement of any aid to Lebanon. Accordingly, most sectors were hardly hit, economic performance plummeted, ratings were downgraded and confidence was shaken. In addition, the government's attempt to impose new taxes in the budget law at a time of economic slowdown and rising unemployment rates proved to be the straw that broke the camel's back, fueling massive protests and road closures, which led to a temporary shutdown of public and private institutions, as people vented their anger against corruption and poor public services. The protests coupled with the resulting resignation of the Hariri government and the mandatory closure of banks and public institutions dealt a severe blow to an already waning confidence in the banking sector. Accordingly, and upon the reopening of banks, people flocked to withdraw their deposits and/or to convert their LBP-denominated deposits to the USD in fear of enacting capital control measures, haircuts on deposits and a potential devaluation of the Lebanese Pound. This compelled the Association of Banks in Lebanon to place some restrictions on withdrawals in an attempt to safeguard the best interests of all depositors, since no bank in the world can afford a withdrawal of all of its customer deposits at the same time, given the nature of operations of the banking sector. The shattered confidence also weighed negatively on the exchange rate, which despite the best efforts of the Central Bank of Lebanon, saw a significant divergence from the 1,507.5 level albeit in the parallel market for the first time since the year 1997. In this vein, it is worth highlighting that the exchange rate of the Lebanese Pound against the USD broke the 2,000 threshold during the month of December 2019.

In the midst of such a pale economic situation, real estate activity significantly watered down and was further clawed by the massive protests and road closures during the second half of October. More specifically, the number of real estate transactions plunged by 17.07% in 2019, with the value of said transactions sinking by 15.92% to \$6.84 billion. Concurrently, the surface area of construction permits in Lebanon dwindled

by 31.43% during that same year, while cement deliveries fell by 31.88%. From another standpoint, tourism activity was strong during the first ten months of 2019 (up by 5.01%) before suffering a severe blow as a result of the protests and road closures. Overall, the number of tourists visiting Lebanon dropped by 1.41%, compared to 5.77% in 2018. On the public finance front, Lebanon's fiscal deficit (budgetary and treasury) narrowed to around \$5.84 billion in 2019, on the back of some 5.00% annual drop in government expenditures (including debt service) to just over \$16.90 billion, which outweighed the 4.17% y-o-y decrease in government revenues to nearly \$11.07 billion. This drop in government expenditures was mainly triggered by some 14.28% yearly contraction in transfers to EDL as oil prices sustained their downturn outweighing the 4.39% annual rise in public sector personnel costs. Consequently, Lebanon's gross public debt continued to pile up, adding \$6.50 billion in 2019 to attain \$91.64 billion. This has further swelled the country's debt-to-GDP ratio to about 176% according to IMF estimations, up from around 151% in 2018. BDL's foreign assets ended the year at \$37.27 billion, down from \$39.67 billion in 2018. It is worth noting that the Central Bank resorted to an additional round of financial engineering to boost its foreign assets and improve the country's balance of payments. Nevertheless, the impact of the scheme on the balance of payments quickly wore off, with the latter registering a \$4.35 billion deficit at end of 2019, compared to a \$4.82 million deficit a year before. On the current account side of the balance of payments, Lebanon's balance of trade deficit also narrowed by \$1.52 billion in 2019 to \$15.51 billion, triggered by a \$740.12 million annual drop in imports to \$19.24 billion, coupled with a \$799.52 million expansion in exports to just over \$3.73 billion. This bleak picture prompted the international rating agencies to issue several rating downgrades in 2019, with Moody's Investors Service downgrading Lebanon's rating from "B3" to "Caa1" while revising its outlook to "Stable" in January and from "Caa1" to "Caa2" in November while placing the rating under review for downgrade, Fitch Ratings downgrading Lebanon's long-term local and foreign currency Issuer Default Rating (IDR) from "B-" to "CCC" in August and from "CCC" to "CC" in December without assigning an outlook to the rating, and Standard & Poor's Global Ratings downgrading Lebanon's long-term local and foreign currency from "B-" to "CCC" in November with a Negative Outlook.

As far as the banking sector is concerned, the aforementioned events led to a 13.11% annual contraction in the combined balance sheet of resident commercial banks to around \$216 billion by December, mainly dragged by the 8.29% (\$14.80 billion) drop in deposits, bearing in mind that deposits contracted by \$9.46 billion during the last two months of the year. The drop in deposits can also partly be explained by the 16.19% (\$9.61) contraction in the loans portfolio, as depositors rushed to prepay their outstanding loan balances from their deposit accounts. Always in the same vein, the deposit dollarization rate increased to 76.02%, from 70.62% in 2018. It is worth highlighting that Lebanon has been witnessing an upward trend in its interest rate environment during the majority of the year, before the Central Bank intervened during the month of November by issuing circular no. 534 which call for lowering interest rates on deposits and loans with the aim of revitalizing the economic cycle.

Recap of Lebanon's Major Economic and Banking Sector Indicators

(USD Billion, Unless Otherwise Stated)

	2019	2018
Key Macroeconomic Indicators		
Real GDP Growth Rate	-6.50%	0.25%
Annual Inflation Rate	6.96%	3.98%
Trade Balance	(15.51)	(17.03)
Current Account Deficit/GDP	-23.90%	27.01%
Balance of Payments	(4.35)	(4.82)
Foreign Assets at BDL	37.27	39.67
Gold Reserves	13.94	11.77
Foreign Assets & Gold Reserves/Gross Public Debt	55.88%	60.42%
Total Primary Surplus/(Deficit)	(0.29)	-0.64
Budget Deficit	(5.84)	(6.25)
General Gov. Structural Balance/GDP	-10.01%	-11.08%
Gross Public Debt	91.64	85.13
Gross Public Debt/GDP	175.60%	150.92%
Resident Banking Sector Indicators		
Total Assets	216.78	249.48
Loans to the Private Sector	49.77	59.39
Customer Deposits (Public & Private Sector)	163.76	178.56
Private Sector Loans/Deposits	30.39%	33.26%
Deposit Dollarization Rate	76.02%	70.62%

Source: IMF, CAS, BDL, ABL, MOF, Higher Customs Council, Credit Libanais Economic Research Unit



El Heri - Chekka, Lebanon

02

Business Segments Activities and Analysis

Retail Banking Activities	36
Marketing and Business Development	38
Electronic Banking	40
Corporate Banking	42
Corporate Responsibility	43
Affiliated Companies	45
Treasury, Global Markets, Asset Management and Private Banking	48
Investment Banking (CLIB)	49

Retail Banking Activities

As of year-end 2019, the technology infrastructure at Credit Libanais branches was upgraded to allow for centralization of the back office and administrative tasks, as a medium-long term objective. In this perspective, consumer and SME customer relationship managers were enabled to access customer information from their mobile devices. Customized products and solutions may thus be offered, including specialized consultancy and advisory services related to access to sources of funding and sector-related information such as agriculture, trade, tourism and services, largely affected by the prevailing situation.

The Bank continues to build on the quality customer experience across all touchpoints and digital channels, based on the Digital Transformation journey we embarked on some time ago. Our main competitive advantages in commercial banking include tailored banking solutions and customer-specific applications, coupled with effective risk management expertise.

In 2019, we managed to maintain our quality loan portfolio; furthermore, despite the conjuncture-related volatility in foreign exchange and interest rates, we extended some long-term financing to industrial energy efficiency projects, insulation of buildings and renewable energy investments including wind and solar energy projects.

In the agriculture industry, we continued to meet with farmers to listen to their needs, which range from a better automation of the activity, to increasing quantities produced on the same plots, based on a cyclical and revolving mode.

Through our integrated financial services structures across the Group, we provide customers with various Bancassurance plans such as individual retirement, basic and life insurance products.

In addition, despite the ongoing deterioration of internal and international markets, our strategic priority for the year to come remains to continue to support our customers and ensure value creation, primarily for trade finance activities that increase exports and ensure some foreign currency inflows. We shall continue to stand by our customers and help them sustain and grow their activities, especially under the extremely adverse market conditions.

Lastly, our Bank remains committed to supporting customers, namely in their foreign trade activities to help the Lebanese economy recover fast and regain its prosperity and sustainable GDP growth, in the upcoming period of consolidation and reforms.



Retail Commercial Lending in 2019

The year 2019 witnessed a contraction in the Lebanese economy following political turbulences throughout the year that accentuated in the last quarter of 2019. The business environment was characterized by slowness, in most sectors, coupled with high interest rates, rendering weak eligible lending opportunities in the market and a very thin appetite for expansion by borrowers and investors alike. In this environment, outstanding Retail Commercial facilities dropped by roughly 10% in 2019. Commercial Lending remained focused on providing its client base with a tailored service and assisting these businesses in managing their cash flows and in smoothing out payments to match these difficult and volatile conditions. At the same time, the department focused on consolidating guarantees to maintain a good quality of its credit portfolio; of which roughly 75% is covered by tangible collaterals.

Productive sectors with export potential, especially in the agri-food businesses, became the primary area of focus. Additionally, several industry based sectors, invested in solar systems, for their mutual eco-friendly benefits and economic cost savings potential, which Credit Libanais enthusiastically assisted in financing. In parallel, Credit Libanais continued to promote financial inclusion through its several products designed for this segment.

CL experienced Marketing and Development teams actively pursued their efforts in 2019 towards developing the Bank brand awareness, and seconded various divisions and departments with their growth endeavors. As such, efforts further sustained in areas of:

Products Development

In 2019, the “Online wedding gift” was added up to the long list of Credit Libanais’ retail and corporate products. With this e-product, residents and expatriate customers are able to contribute to a wedding list via the Bank’s website www.creditlibanais.com

Loyalty Program

CL Loyalty Program continues to offer a variety of incentives to the Bank customers, ranging from valuable gifts, to cash back rewards and travel benefits.

Customer Relation Management (CRM)

The CRM tool helps the Bank develop marketing opportunities for engagement and retention. Furthermore, CRM contributes to providing customized and personalized services to customers across all delivery channels.

Sales Force Teams

The Marketing Sales Teams work towards developing new sales structures and assisting branches with their direct and indirect sales efforts, while continuously appraising results and reporting on a quarterly basis.

Marketing Intelligence Unit

In 2019, CL Marketing Intelligence Unit continued to disseminate critical information, comprehensive reports and interactive dashboards to support management decision-making. In addition, the unit supervised and monitored customer satisfaction, loyalty and retention campaigns, quality and image, as well as the Mystery Shopper Program (with IPSOS). The latter MS Program is mainly used for staff appraisal purposes, and improvement of all touchpoints performances as well as product and services evaluation.



Communication Strategy

Over the course of 2019, CL maintained a good presence in the media and adopted a consistent above the line advertising strategy on major local TV stations during prime-time slots. CL also reserved an advertising presence in the printed press, websites, through Out-of-home (OOH) ad campaigns and radios. Below-the-line advertisements were also displayed via internal posters, leaflets and Led screens ads. In addition, CL regularly communicated with its customers via Newsletters, SMS, e-mails, and across all social media channels.

The Public Sector

Following the earlier launching of the first e-payment service in the country, which enabled customers to settle their taxes online, Credit Libanais continued in 2019 to work with public entities, such as municipalities, ministries and governmental institutions to further contribute to the modernization of governmental services in Lebanon.

Pioneering Initiatives towards the Modernization of Lebanon and the E-government

CL continues to undertake a number of initiatives leading to the country’s modernization, by pioneering the launching of the e-payment services related to the following bodies:

- Beirut Bar Association: for the online settlement of lawyers’ annual subscription fees on www.bba.org.lb
- Order of Engineers and Architects in Beirut: for the online settlement of annual subscription and insurance fees on www.oea.org.lb
- Order of Pharmacists in Lebanon: for the online settlement of annual subscription fees on www.opl.org.lb
- Establishment of the Water of Beirut and Mount Lebanon: for the online settlement of water bills on www.ebml.gov.lb
- General Directorate of Land Registry and Cadaster: for the viewing and printing the title register and pay related fees through www.lrc.gov.lb
- Ministry of Finance: for the online settlement of built property taxes through www.finance.gov.lb

Electronic Banking

E-Payment Solutions and Cards Technology

In line with the Digital Transformation journey Credit Libanais embarked on, the e-payment infrastructure was upgraded in 2019 to a new, highly dynamic and flexible platform to better accommodate the on-going needs of both customers and merchants and offer them a seamless and enhanced payment experience. This move shall drive business smoothly through a robust, reliable, secure and simplified system architecture and shall streamline operational processes, help develop innovative products and provide excellent customer support.

Introducing the Rays of Light card collection

In 2019, we introduced the “Rays of Light” card collection. Each card in this collection is carefully crafted and tailor-made to address each customer segment with a unique customer-centric approach and contains new and exclusive personalized features and benefits.

Applying the Contactless Payment Technology on all new CL cards and CCM POS machines

During 2019, Credit Libanais rolled over the NFC contactless payment technology across all new debit and credit cards. In parallel, the Bank upgraded all its POS machines across Lebanon to offer cardholders and merchants convenient and secure payments.

Improving Security Features

To reinforce customers’ behavioral changes towards e-commerce, the Bank further enhanced the card security features namely the 3D Secure authentication process.

Unleashing Innovation with Loyalty

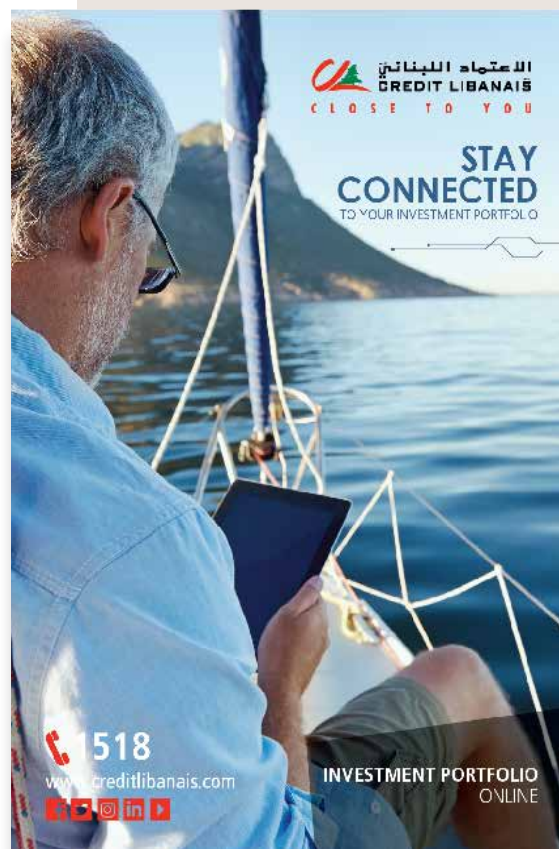
The Bank kicked-off a new loyalty proposition through a cutting-edge platform that offers cardholders an exciting range of redemption options.

Extending Value across the Customer Journey through Key Partnerships

The Bank has partnered with several key merchants to offers its cardholders distinctive and exclusive benefits and privileges.

Introducing the First Metal Card “the Metallic” in Lebanon

In accordance with the Bank’s Digital journey strategy, Credit Libanais launched the first metal card “the metallic” in Lebanon, the card that is offered by invitation only and that targets ultra-high net worth customers, and grants elite clientele privileges and services that cater to their lifestyles. Its name is inspired from the material it is made of, thus “the metallic” is engraved as signature mark. It is a unique card made from metal, with a minimalist design, sleek look, refined touch, unusual weight and embedded with contactless technology.



“The metallic” World Elite from MasterCard is meticulously crafted to redefine the cardholder’s status and surpass expectations through a wide array of advantages, a unique customer value proposition and tailor-made privileges; an unmatched round the clock concierge service, a dedicated specialized private banker, private jet rental offers, luxurious travel experiences, handpicked partner offerings, access to the most innovative loyalty program “Spectrum” that comes with a generous welcome bonus of 5,000 points in addition to unsurpassed insurance programs introduced for the first time in the market . It also offers cardholders travel and medical coverage up to \$2,000,000, a card rental coverage up to \$100,000 and purchase protection coverage up to \$75,000 and complimentary unlimited access to VIP airport lounges.



Digital Channels

During 2019, Credit Libanais strived to enhance customers’ digital experience and profitability through the provision of quality service and experience. In line with its core objectives, the Bank continued to improve its digital channels customer experiences across all digital touchpoints, in line with the Digital transformation strategy. The social identity of sister companies was also further developed and enhanced.

Throughout the year, the Bank’s multi-skilled teams at the contact center continued to provide interactive means of communication with customers and prospects, in a courteous and professional manner. In this perspective, our contact center teams joined efforts with the Bank’s portfolio managements, in an effort to decrease the unpaid bills at hand.

The Bank sustained its high activity and interaction on social media platforms with the large outreach of followers. In this path, distinctive efforts were made on social media to engage with the Bank’s digital community through specially designed posts, videos and ads which showed a high level of engagement and reach from followers.

Building on the Digital and Omni-Channel Banking Innovation strategy, Credit Libanais launched the first Wearable project related to the CL e-bank application accessible on Apple watch, added to extreme security and additional features to the Online Banking service. CL also added the GIF feature for Facebook and Instagram stories. In addition, brand ambassadors strategy and new digital branding were applied aiming at increasing CL engagement and organic reaches on social platforms, to keep Credit Libanais top of mind.

In parallel, in 2019, the Economics research portal was launched which fast became a local hub for economists and avid readers of economic articles on social media.

On another front, CL extended the installation of advanced queuing and digital signage solutions in branches, to cover more than 85% of the total number of branches, in an effort to provide an ultimate customer experience at the counters levels.

In the last quarter of the year, which was characterized by numerous challenges for local Lebanese banks namely on social media, we strived to maintain our quality customer service, and answer all customers’ queries and requests with respect and professionalism.



Corporate Banking

Over the course of 2019, Corporate Banking Division maintained a diversified portfolio of clients across all major sectors, while adopting a conservative credit policy due to the unstable characteristics of the market.

In light of the Bank's overall strategy to contain its credit portfolio amidst deteriorating economic environments in Lebanon, specifically in the fourth quarter of the year, Corporate Banking total lending decreased by 10.23%, from USD 1,677.21 billion as at end-December 2018 to USD 1,505.69 billion as at end-December 2019.

In fact, the political and economic developments in the last quarter of 2019 forced banks to limit their corporate and other lending activities; accordingly we structured our services to accompany our customers in the challenging circumstances, backed by our teams of specialized professionals. We strived to proactively conduct close control on our customers' overall operating and financial statuses, to detect early risk warning signs and mitigate them with appropriate measures, hence securing the proper flow of funds to the Bank and guaranteeing repayment; along with enhancing the quality of guarantees when need arises via mortgages, insurance policies, and the guarantors' wealth sufficiency. In addition, we remained keen on further developing our risk-based pricing methodology, in line with the capital adequacy requirements.

On the other hand, the Bank's corporate lending activity remained directed towards supporting sustainable businesses, while maintaining key strategic relationships with top tier corporates; thus we maintained a relatively substantial rate of performing loans, amid the improving portfolio profitability, with the aim of maximizing shareholders' value.

Looking forward, we shall continue to keep pace to maintain good practices amid the changing market dynamics and specificities, to protect our share of the market's top corporates and preserve the quality of our portfolio. Above all, we shall continue to closely assist our customers in coping with new challenges, until better days prevail.

Corporate Responsibility

At Credit Libanais, we are committed to safeguarding the interests of stakeholders and thus have corporate responsibility and sustainability embedded in the greater part of our work, since the beginning of operations back in 1961. Our Core Values are defined by high standards of ethics and integrity, respect of human and labor rights, as well as national and international banking regulations and best practices.

Based on the Bank's determination to create sustainable business, Credit Libanais Group officially joined in 2015 the United Nations Global Compact (UNGC), the world's largest corporate responsibility initiative with over 11,500 participants in 156 countries including Lebanon. During that year, all 193 member states of the United Nations adopted 17 new Sustainable Development Goals (SDGs) as a plan to tackle the economic, social, environmental and governance-related challenges by 2030.

In parallel, CL Group also became a member of the Global Compact Network in Lebanon. The United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. By joining the United Nations Global Compact, CL committed to incorporate the ten principles in its daily operations and all its strategic decisions and is annually publishing the Communication on Progress (COP) Report according to international guidelines.

Our Strategic Direction in 2019

Over the course of 2019, at CL, we specifically focused on two of the 17 SDGs. Those include:

Goal 4: Quality Education



- Our employees benefit from school and college tuition allowance for their children. We provide advancement education and training programs for our employees through a diversified learning platform.
- CL employees are encouraged to enroll and successfully complete the Banking and Financial Qualifications certifications in Lebanese Financial Regulations, CAMS, Combating Financial Crime, Investments and Risks, Financial Derivatives, Risk in Financial Services, Global Securities and International Introduction to Investment as per BDL 103 and other regulatory requirements.

Educational and Academic Events

We constantly contribute to university and school events that aim at offering professional guidance and presenting different employers to students. CL is regularly present at major events such as job fairs and forums that were held in various universities across Lebanon.

Affiliated Companies

Professional Conferences

To encourage exchange of new developments among peer professionals and reinforce channels of communication in various industries, we sponsor many a conference over the course of the year, encompassing a variety of sectors such as banking, economic, medical, social, financial and many other aspects of the Lebanese dynamic communities.

Cultural and Heritage Events

CL supports music and cultural festivals organized in various Lebanese cities and towns throughout the seasons, in view of encouraging arts, reviving traditions and preserving our unique heritage. We sponsor several cultural activities that bring us closer to our communities and enable us leverage our partnerships with them, thereby doubling the rewards. By helping them prosper, Credit Libanais prospers as well.

Philanthropy

Our selected contributions to professional, educational, sports, cultural and social activities have positively impacted the communities we work in and by the same token, boosted CL's image in various Lebanese regions and towns.

Goal 9: Industry, Innovation and Infrastructure



CL constantly undertakes initiatives that lead towards the country's modernization. By pioneering the launching of e-payment services related to some agencies and bodies, such as paying taxes and memberships online, we contribute to our country's transformation thus rendering services to customers more efficient and less time consuming. To this end, we partner with numerous local, regional and international agencies to make the financing of very small businesses also possible within the Lebanese economy.

The Bank also maintains a considerable number of partnerships with international bodies and benefits from long-term financing and risk sharing schemes with institutions such as:

- The International Finance Corporation (IFC)
- The European Bank for Reconstruction and Development (EBRD)
- The European Investment Bank (EIB)
- The Arab Trade Financing Program (ATFP)
- The Economic and Social Fund for Development (ESFD)
- The Cooperative Housing and Finance International (CHF International)
- The United States Agency for International Development (USAID).

Those international bodies regularly exercise due diligence practices on Credit Libanais prior to entering into partnerships and granting facilities.

CL Communication on Progress to the UN Global Compact is available at <https://www.unglobalcompact.org/what-is-gc/participants/69141-Credit-Libanais-Group>

Credit Card Management sal (CCM)

www.ccm.com.lb

Credit Card Management sal (CCM) has been established in 1994 and it plays a vital role in the cards payment industry in Lebanon. CCM maintains strong partnerships with banks and other institutions to drive mutual revenues and profitability.

CCM offers a wide range of cards solution including the acceptance of international contact/contactless chip cards for Visa, MasterCard and American Express, continuous upgrade of the POS terminals and also the development of gift, loyalty and petroleum card programs. Our Business partners include a large number of merchants segmented among multiple industries and sectors.

In addition, and through its advanced card personalization services, CCM continues to offer card contact/contactless chip personalization, cards encoding, embossing and indenting and the CCM personalization center is fully certified by Visa and MasterCard corporations for issuing secure EMV cards.

In 2019, CCM had:

Number of (active) customers: 10,000	Number of (active) POS: 12,000	Number of Banks: 36
--------------------------------------	--------------------------------	---------------------

In 2019, CCM implemented new features and functionalities to its existing solutions to further serve customers efficiently:

- 1 As part of the cards payment and transactions processing: new features has been applied on the POS. The void feature and the refund feature has been added providing the merchant the flexibility to cancel or reverse a transaction securely. CCM created two levels of user authentication for security at the administrator level and the operator level (end user).
- 2 To further assist merchants in the POS settlement process: CCM granted the merchant the option of "instant settlement" where each executed sale transaction will be (automatically) settled instantly; this is in addition to the standard "end of day settlement" which takes place once at the end of each day for all transactions types.
- 3 Additional enhancements took place with one of our cards payment provider to allow local currency acceptance, execute online PIN Code verification and also to generate chip data for advanced security and thus merchants benefited from these features seamlessly.
- 4 Improvements took place on the developed cash register integration with flexibility on the implemented protocol between CCM POS and various cash register solutions.
- 5 Updates took place on the newly issued cards in the market to become dual interface: migrated all our member banks profiles to contactless profiles abiding by Visa and MasterCard compliance.
- 6 As part of our cards personalization constant improvements; we have implemented new functionality for member banks' to have a dynamic pin mailer generation based on cardholder request.
- 7 Advanced Reporting tools giving more visibility to merchants on their executed transactions.

CCM Website: www.ccm.com.lb CCM Help Desk: +961 1 61 19 61 CCM General Inquiries: +961 1 608 600 E-mail: Info@ccm.com.lb

Soft Management sal

www.softmanagement.com

Established in 1983, Soft Management is specialized in Information Technology business solutions and delivers tailor made systems to its customers in the financial and corporate sector. Through its various products and services and its professional team, Soft Management continues to implement innovative solutions and to grow steadily in the market.

Some of the projects completed by Soft Management in 2019:

1. Enhance existing gift card POS application with new features allowing gift card purchase and online usage.
2. New Integration between our SMS gateway and Visa to further enhance processing of secure online payments.
3. Implement a new solution for Credit Libanais ATM helpdesk and monitoring system: allowing ATM helpdesk to monitor cassettes and the volume in LBP and USD real-time while applying an alarm tool for quick maintenance and when intervention is needed.
4. Enhancement on the recharge of the mobile phone through Credit Libanais online banking.
5. Development of a new service for Credit Libanais AML department to facilitate the cheques scanning preview process.

Soft Management Website: www.softmanagement.com

Soft Management general inquiries: +961 1 429 462

E-mail: info@softmanagement.com

NetCommerce SAL

www.netcommercepay.com

The Payment Service Provider for Internet Credit Card Processing

NetCommerce SAL has been a leading provider of internet payment services and e-business solutions since 1999, enabling Lebanese merchants to access worldwide markets and sell their products and services online in real-time, using Visa and MasterCard card types.

A Reputation of Trust

With a growing portfolio of 1370 merchants who trust NetCommerce to process their payment transactions securely and reliably, NetCommerce has become the largest payment service provider in Lebanon, processing hundreds of thousands of transactions each year from various operating industries.

The Most Secure and Reliable Solution for Payment Online

- NetCommerce adopts the latest world technology and security implementations to deliver innovative, reliable, and secure payment processing solutions, and allows both merchants and cardholders to trade and purchase online with confidence.

- NetCommerce uses VeriSign Authentication Services and solutions that allow companies and consumers to engage in e-commerce transactions securely.

- NetCommerce is PCI-DSS (Payment Card Industry Data Security Standard) compliant since March 2010. This program applies the latest security implementations derived from Visa and MasterCard for the protection of cardholder data and payment services.

- NetCommerce also implements the Verified by Visa and MasterCard Secure Code protocols. These protocols provide 3D-Secure payment authentication between the merchant, cardholder, issuing bank, and the acquiring bank to better authenticate each payment online.

Ease of Integration

NetCommerce has self-developed its payment platform to respond to the different needs of the Lebanese market, with the ability to develop custom and vertical solutions that are tailored for both market and customer needs. NetCommerce has facilitated the integration into its payment interface, with different options that best suit the different merchants' needs.

In 2019, NetCommerce launched IMPL (Internet Message Payment Link), a payment link service that allows merchants to access the NetCommerce portal to create an e-invoice and share it through a one-time payment link with cardholders via e-mail. Cardholders then click on the link, enter their card details to pay securely straight away.

NetCommerce's forecast and expectations for the years to come is to continue gaining a significant market share by acquiring new markets, remaining in line with technology and providing payment solutions for high tech emerging businesses, E-Government projects, and mobile technologies. In this respect and in addition to the previous success in governmental projects, NetCommerce continues to address new governmental services, ministries, and syndicates to further move the online payment services in Lebanon towards a successful e-government.

NetCommerce General Inquiries: + 961 1 879 709 Website: www.netcommercepay.com

Help desk : + 961 1 879 709 (ext: 11) E-mail: info@netcommerce.com.lb

The International Payment Network SAL (IPN)

Established in 1996 at the initiative of Credit Libanais and with the participation of 5 other major Lebanese banks, International Payment Network sal (IPN) grew to become Lebanon's leading ATM Network Switch. Currently owned by 5 leading banks, IPN is managed by Credit Libanais, and has the most extensive network in the country with 1100 ATMs and services 14 member banks.

To ensure an excellent service to customers in terms of Automated Teller Machines, IPN continuously reinvests in state of the art technology and has finalized the main part of its software solution from Base 24 to Base 24 EPS, known to be the most innovative finance services solution worldwide, which currently runs under the Non-Stop High Availability System NS series.

From the security perspective, following the EMV compliance rightfully acquired several years ago, IPN has been certified since 2011 as PCI compliant according to the norms of Visa and MasterCard international.

IPN services in terms of ATM Services include Cash Withdrawal, Balance Inquiry, Mini Statement, Mobile Recharge, Account Transfers, Pin Change, BNA (band and envelop deposit), Bill Payments and much more.

IPN services in terms of ATM Solutions include: Installation of ATMs, Choice of ATM supplier, Customized Screens and Receipts, Management of ATM Cash Positions, Control of Consumables, Control of Captured Cards, Encryption Key Management, 24/7 Service Desk Support, Anti-Skimming Detector System, Assistance in Applying for all Visa/MasterCard/Amex Mandate Certifications, and Host-to-Host connections.

IPN General inquiries: + 961 1 871 248

Help desk: + 961 1 878470

E-mail atmhelpdesk@ipn.com.lb

Credilease SAL

Credilease is a financial institution affiliated to Credit Libanais sal. Financial solutions brought are efficient, confidential and competitive and are specifically designed to meet the individual and corporate needs of each customer.

Credilease specializes in the following financial services:

- Leasing operations
- Credit facilities
- Consumer finance loans
- Credilease is also ready to extend investment and private banking activities including equity and wealth management services.

To ensure transparency, fairness, equitability and suitability, a Consumer Protection Unit was established and a subpage on the corporate website was launched. CPU periodically reports to the Chairman GM, the Board of Directors and the Banking Control Commission of Lebanon (BCCL) on matters related to the implementation of the Policy, Charter and Action Plan.

Credilease's trained and skilled team develops the best personalized services needed. Employees are knowledgeable and equipped with the latest technological tools to provide a fast, reliable and confidential service.

Tel/Fax: +961 1 425760/1/2/3/4

E-mail: info@credilease.com

Website : www.creditlibanais.com

Treasury, Global Markets, Asset Management and Private Banking

Treasury and Foreign Exchange

In an extremely difficult operating environment that has marked the year 2019, Treasury and Foreign Exchange department continued to support the activities of the branch network, subsidiaries and affiliates both domestically and internationally. We continued to serve the Bank's broad customer base through a well-diversified product line. Our activities include Foreign Exchange and Money Markets instruments, as well as tailored FX and Interest Rates hedging solutions and structured products. Our experienced trading desk offers a complete array of financial services supported by efficient channels of execution.

We closely select investment opportunities in various markets using our in-house Asset/Liability management model. FX and IRR exposures are proactively managed through constant market analysis and simulations, in addition to various stress testing aimed at mitigating risks related to the Bank's balance sheet.

- Credit Libanais Treasury, Global Markets, Asset Management and Private Banking covers a wide range of global financial services in treasury and cash management, foreign exchange, capital markets, structured finance and brokerage.
- The Division offers an array of treasury and capital market services and products, coupled with strict risk management policies.
- We also offer a broad range of personalized advisory services to our high net-worth customers.
- We aim at enhancing the development and expansion of financial and capital market activities in Lebanon.

Global Markets

Throughout the year 2019, CL Group Global Markets arm continued to ensure the sales, trading and structuring of a wide range of financial products including bonds, equities, equity-linked products, commodities and securitized instruments.

Fixed Income Markets

Fixed income markets generated relatively strong returns in 2019 driven mainly by the continued decrease in interest rates, which pushed bond prices higher across the board. Trading activity focused on yield chasing in an ever tighter bond market. Credit Libanais remained very active in providing ongoing coverage and pricing for major international fixed income markets. The Bank also continued to act as a market-maker on local fixed income even though the Lebanese Eurobonds Market witnessed a difficult and volatile year.

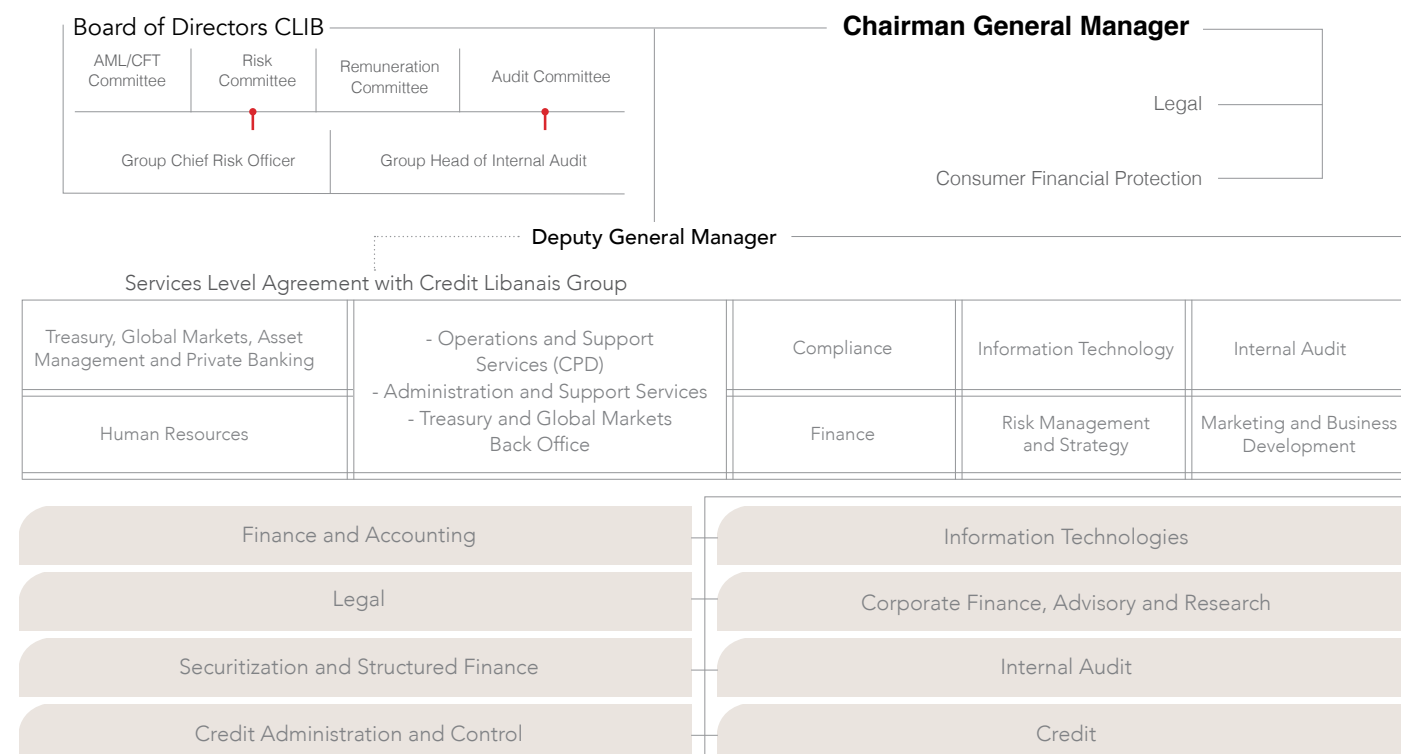
Equity Markets

In 2019, international equities enjoyed one of the best years since the initial recovery from the global financial crisis, pushing equities through the flat range they have been showing since 2018. During 2019, CL Group's experienced teams continued to identify appealing market opportunities based on in-house custom analysis. The local equity market also experienced increased investor interest; in addition, opportunities were sought by the Bank that holds a member seat at the Beirut Stock Exchange (BSE) through its subsidiary Credit Libanais Investment Bank.

Private Banking

Our Private Banking operation continued to offer premium services and innovative investment solutions to clients throughout the year. Clients holding international diversified portfolios were carried upwards by positive market trends seen on global equities and fixed income. Activity remained strong as clients reshuffled their portfolios with guidance from our relationship managers. The team supported holders of local securities to navigate the unusual situation prevailing in Lebanon and provided needed guidance and support.

Investment Banking (CLIB)



COMPANY PROFILE

Credit Libanais Investment Bank (CLIB), a fully owned (99.86%) subsidiary of Credit Libanais, was established in 1996 as the investment banking arm of the Bank. Throughout its operating history, Credit Libanais Investment Bank has constantly strived to cater for the ever-changing needs and preferences of customers through the continuous launching of innovative products and services in accordance with legislative decree number 50, dated July 1983.

CLIB is also on a relentless hunt for new business ventures, grasping inorganic growth opportunities for the Group and for its local, regional, and international private and institutional clientele.

Strategy

Notwithstanding the difficult operating environment that plagued the Lebanese economy in 2019, CLIB strived to reinforce its position in equity project financing and advisory services while offering an array of investment banking services, of which:

- A comprehensive bouquet of medium and long term investment plans;
- Medium and long term loans;
- Financial advisory services to the Group as well as to institutional clients;
- Corporate advisory services; and
- Asset management

Credit Libanais Investment Bank furnishes its customers with a wide panoply of financing and advisory solutions ranging from term lending to highly structured and specialized products across the investment banking spectrum.

The infamous year 2019 was very harsh on the Lebanese economy, with the severe depreciation of the Lebanese pound in the parallel market, the government's decision to suspend Eurobond payments, the unprecedented liquidity crunch, the outbreak of the Covid-19 pandemic and last but not least the tragic Beirut Port explosion sending most economic sectors into shatters. Consequently,

the investment banking field was not spared, given its large dependence on a healthy economy to prosper. In this regard, CLIB continued to cater for the needs of its customers, manage the systematic risk affecting asset quality and conduct in-house services for its parent Credit Libanais. CLIB's operations were negatively affected by the prevailing economic woes, as reflected by a 11.60% drop in commercial loans (SME & Corporate) and a 15.48% contraction in housing loans where the collateral value does not fall below 60% of the loan amount at any time. In the same vein, customer deposits at CLIB fell by 17.57% in 2019 part of which owes to customers' early settlement of their loans balances using their deposits in fear of any haircut imposed by the government, leading to a 13.40% drop in total assets.

CORPORATE FINANCE AND ADVISORY DEPARTMENT

As highlighted earlier and in the absence of capital inflows to the country during the year 2019 where investor confidence was seriously hampered, the Corporate Finance & Advisory department at CLIB was mainly restricted to providing in-house services by acting as an investment advisor to the Credit Libanais Group of companies.

In parallel, CLIB continued to support the knowledge economy for yet another year, given its potential pivotal role in Lebanon's resurrection, venturing into Lebanese private equity funds that are BDL compliant and that invest in Lebanese startup companies.

Services

The Corporate Finance and Advisory Department is well equipped to provide private and institutional customers in Lebanon, the region, and the world with an inclusive set of financial services and solutions that are specifically conceived to satisfy their needs. These services include:

Financial Advisory

This entails the engineering of financial solutions that are tailored to respond to the strategic and organizational needs of institutional clients. This includes financial assistance to clients seeking to:

- Evaluate the financial performance of their business;
- Assess the viability of an expansion / investment alternative;
- Undergo a financial reengineering / turnaround;
- Open their capital to prospective investors;
- Merge with / acquire another business unit; and/or
- Benefit from strategic alliances and partnering transactions.

Debt and Equity Placements

Services encompass advisory for customers who wish to make a better informed decision surrounding their choice of capital structure, financing means and sources, and the positioning of their business.

Mergers and Acquisitions

This includes offering in-depth assistance to clients eyeing to merge with or acquire other private or public business units. CLIB's assistance shall cover every step of the transaction, including:

- Preparation of the sale transaction documents;
- Determination of the strategy;
- Company valuation;
- Search for potential business units to acquire/merge with;
- Determination of the best financing structure;
- Negotiation of the contract;
- Due diligence...

Recapitalization and Strategic Advisory

This service mainly consists of reshuffling a company's capital structure in a way that improves the related company's debt/equity mix to make it more sustainable.

Research Unit

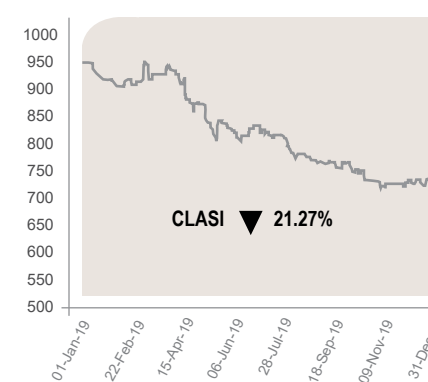
The Economic Research Unit at Credit Libanais publishes a weekly economic newsletter, the "Weekly Market Watch", spotting the light on major local economic developments and indicators, in addition to the performance of the domestic money market and equity market. The Economic Research Unit also issues on a periodical basis research publications covering hot topics surrounding the Lebanese economy.

Through these publications, Credit Libanais' Economic Research Unit continues to headline the economic segments of major local and regional newspapers, bulletins, and TV stations. The Economic Research Unit conducted as well numerous interviews with local and foreign television stations, radio stations, newspapers, and magazines, addressing a multitude of pertinent economic and banking sector-related topics. The year 2019 witnessed the expansion of the Economic Research Unit's social presence, mainly through the launching of its new blog "economics.creditlibanais.com" which provides an around-the-hour briefing of the latest economic news and indicators on Lebanon.

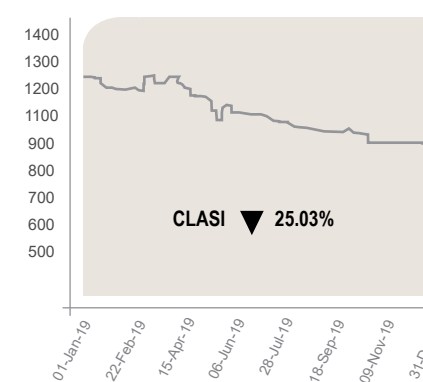
In parallel, the Research Unit monitors the daily performance of Beirut Stock Exchange (BSE) activity under the umbrella of its three stock market indices, namely, the Credit Libanais Aggregate Stock Index (CLASI), the Financial Sector Stock Index (CLFI), and Construction Sector Stock Index (CLCI). These indices serve as a benchmark for local and regional stock market enthusiasts to track the trends in the market capitalization of listed stocks by sector or industry and that of the overall Beirut Bourse. As portrayed by the below analysis, companies listed on the Beirut Stock Exchange suffered a severe blow amid Lebanon's economic deadlock, with CLASI dipping by 21.27% in 2019 and by 26.70% since inception.

Indices Performance

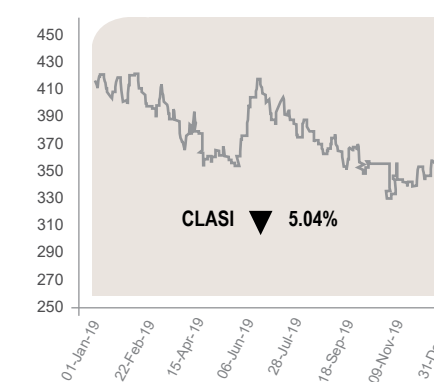
	Inception Date	Inception Value	Value on January 1, 2019	Value on December 31, 2019	% Change in 2019	% Change since Inception	Year High	Year Low		All Time Low
CLASI	Oct-06	1,000	930.97	732.99	-21.27%	-26.70%	931.47	691.38	1,801.01	691.38
CLFI	Oct-06	1,000	1,251.68	938.35	-25.03%	-6.16%	1,271.03	938.35	1,666.64	864.82
CLCI	Oct-06	1,000	427.52	405.97	-5.04%	-59.40%	427.52	286.94	1,948.82	286.94



Credit Libanais Aggregate Stock Index
Yearly Performance
CLASI



Credit Libanais Financial Sector Stock Index
Yearly Performance
CLFI



Credit Libanais Construction Sector Stock Index
Yearly Performance
CLCI

Index Value



Beirut, Lebanon

Control Functions Activities and Analysis

Risk Management and Strategy	54
Internal Audit	63
Compliance and AML/CFT	66
Consumer Financial Protection	71



Risk Management and Strategy



Risk Management and Strategy

The Risk Management and Strategy function is fully independent from the commercial lines of business reporting to the Chairman - General Manager and the Board through the Board Risk Committee. In addition to Credit Libanais SAL, its scope covers local and foreign banking and financial institutions subsidiaries of CL Group.

Risk Governance Framework

The Bank's risk governance framework includes well defined organizational responsibilities for risk management, typically referred to as the three lines of defense:

- the first line of defense is the Business Lines, which take risks and are responsible and accountable for the ongoing management of such risks.
- the second line of defense includes: (1) an independent Risk Management Function, (2) the Finance Function (3) an independent and effective compliance function,
- the third line of defense consists of an independent and effective Internal Audit Function which conducts risk-based and general audits and reviews.

Risk Appetite Framework

CL Group applies the following six overarching principles in the risk identification, monitoring and management throughout the organization:

- balancing risk and reward;
- management of risk is shared at all levels of the organization;
- effective decision-making is based on a strong understanding of risk;
- all business activities are conducted with a view of not risking the Bank's reputation;

- ensuring that provided services are suitable for and understood by the Bank's customers; and
- applying appropriate judgment as a mandate throughout the organization for the management of risk.

Enterprise-wide Risk Management Framework (ERM)

The Bank follows a comprehensive ERM Framework, appropriately scaled to its size, complexity and risk profile. Under ERM, the Board is responsible for confirming the risk appetite, and monitoring compliance to risk management processes. Management is responsible for identifying, evaluating, mitigating and reporting on risk exposures.

Capital and liquidity requirements issued and reviewed by the Basel Committee on Banking Supervision (BCBS), covering capital adequacy, capital buffers, and liquidity risk management are applied on a cross-border level across local and foreign subsidiaries. Moreover, CL Group fully complies with home (i.e. BDL and BCC) and host regulatory requirements to comply with the Basel II/III framework.

The Central Bank of Lebanon previously adopted an accelerated implementation timetable for Basel III, where more stringent ratios have been required.

Lebanese Banks apply a Capital Conservation Buffer made up of Common Equity Tier One Capital amounting to a minimum of 2.5% of Risk Weighted Assets starting Year-End 2019.

The capital conservation buffer of 2.5%, comprised of Common Equity Tier 1, is established above the regulatory minimum capital requirement.

The Capital Conservation Buffer* is phased in and the minimum capital adequacy ratios are as follows:

	31/12/2017	31/12/2018	31/12/2019
Common Equity Tier 1 Ratio	9%	10%	7%
Tier 1 Ratio	12%	13%	8.5%
Total Capital Ratio	14.5%	15%	10.5%

(*) Ratios include the Capital Conservation buffer equal to 4.5% of Risk Weighted Assets as at 31/12/2018 and 2.5% of Risk Weighted Assets as at 31/12/2019.

As per the BDL Intermediary Circular no. 543 dated February 3, 2020, banks are required to keep a buffer of 1.5% above the minimum Total Capital Ratio and Tier 1 Ratio (12% and 10% respectively) in order to distribute dividends to shareholders.

Strategy and Risk Analytics

Capital Management

Capital Management's fundamental elements include the implementation of a policy that addresses the quantity, quality and composition of capital needed; the distribution of dividends and redemptions of capital instruments to shareholders; and monitoring and reporting requirements.

Market Risk Management

Market Risk Management's fundamental parts include implementing a policy that addresses the authorized types, limits and concentration of investments, other financial instruments, and assets; the defined and prudent levels of decision-making authority; identifying, measuring, providing for and recording market impairments; and monitoring and Board reporting requirements.

Asset and Liability Risk Management

CL Group Asset and Liability Risk Management's fundamental basics include implementing a policy that addresses the limits on the balance sheet mix and maturities of capital, deposits, loans and investments; criteria for pricing of deposits and loans; limits on the exposure to Foreign Currency Risk; limits on the exposure to changes in interest rates; use of appropriate techniques for measuring the Bank's Asset and Liability Risk and evaluating the potential impact under current and reasonably foreseeable scenarios.

Internal Capital Adequacy Assessment Process

CL Group conducts yearly Internal Capital Adequacy Assessments (ICAAP). As per regulatory requirements, CL Group refined its risk methodologies and included more sensitive risk measures for the evaluation of the Internal Capital Adequacy Assessment Processes (ICAAP), to ensure that the Bank holds adequate capital to maintain ready access to funding, continue operations and meet its obligations to creditors and counterparties, and continues to serve as credit intermediaries, even under adverse conditions.

Recovery Plan

The Bank established a Recovery Plan that is based on the "Key Attributes of Effective Resolution Regimes for Financial Institutions" issued by the Financial Stability Board. The Recovery Plan was already approved by the ALCO and by the Board of Directors in order to restore the Bank's financial strength and viability in times of severe stress and is subject to annual review and regular monitoring. The plan takes into account the specific circumstances of the Bank and reflect its nature, complexity, interconnectedness, foreign operations and size.

Capital Structure and Regulatory Capital Ratios

CL Group maintains an actively managed capital base to cover risks inherent to the business. The adequacy of the Bank's capital is monitored using, amongst other measures, the rules and ratios established by the BDL and the BCC amongst other measures.

On August 27, 2020, the Central Bank of Lebanon issued Basic Circular no. 154 aimed at restoring banking activities and reactivating services as was the case pre-October 2019 through exceptional measures as well as abide by regulatory requirements and international best practices, particularly related to Capital Adequacy and Liquidity.

On August 26, 2020, the Central Bank of Lebanon issued Intermediary Circular no. 567 that require Banks to refrain from distributing profits for the year 2019 and 2020 to common shareholders and to increase their capital by 20% by December 31, 2020. Credit Libanais was among the first banks in Lebanon to complete the first tranche of the capital increase which places the Bank under a comfortable position to raise the remaining 10% of EOY 2018 Common Equity levels by EOY 2020. The Circular also requires Banks to abide by certain floors when constituting provisions on Lebanese Government Eurobonds and on FCY exposures to BDL. In particular, Regulatory ECLs on Lebanese Sovereign Eurobonds increased from 9.45% to 45% while they have remained unchanged for FCY exposures to BDL (1.89%).

Regulatory Capital Structure

In Millions of Lebanese Pound	2019	2018
Common Equity Tier 1 Capital resources		
Share capital	257,400	257,400
Share premium account		
Legal reserves	146,780	135,651
General & unspecified banking risks Reserves	158,897	154,566
Other reserves	240,606	234,319
Reserves for Assets under Liquidation	21,587	20,004
Reserves for irrecoverable bad debts as per BDL Circular No. 73	3,867	3,867
Retained earnings	296,694	318,624
Profit and loss account (taking into account interim net losses)	7,752	125,531
Minority Interest	1,053	1,682
Revaluation of fixed assets	65,584	65,584
Net unrealized Profit / Loss on Financial Assets held at FVOCI	(27,117)	356
Foreign Currency Position	(190)	(414)
Common Equity Tier 1	1,172,913	1,317,170

In Millions of Lebanese Pound

	2019	2018
Common Equity Tier 1 Regulatory Adjustments		
Profit and loss account	(7,752)	(125,531)
Gross unrealized Profit on Financial Assets held at FVOCI	(12,669)	(9,133)
Revaluation of fixed assets	(65,584)	(65,584)
Reserves for Assets under Liquidation	(21,587)	(20,004)
Reserves for irrecoverable bad debts as per BDL Circular No. 73	(3,867)	(3,867)
Intangible assets including goodwill	(8,422)	(9,288)
Foreign Currency Position		-
Excess over limits of articles 152 and 153 of the Code of Money and Credit		-
Excess / Deficit computed between Total Available Provisions and Total Regulatory ECL	(288,615)	-
Common Equity Tier 1 After Deductions	764,417	1,083,763
Share Capital - Non-cumulative perpetual preferred shares	11,000	11,000
Share premium - Non-cumulative preferred shares	139,750	139,750
Minority Interest	226	505
Cash Contributions that pay returns	70,337	
Additional Tier 1 Capital	221,313	151,255
Additional Tier 1 Capital Regulatory Adjustments		
Total Tier 1 Capital	985,730	1,235,018
Tier 2 Capital Resources	150,750	
Medium to long-term subordinated debt instruments	301	150,750
Minority Interest	7,828	336
Real estate revaluation approved by the BDL and qualifying under Tier 2 Capital		7,828
50% of the Foreign Currency Position	6,334	-
50% of the gross unrealized profit on Financial Assets held at FVOCI	72,443	4,567
Provisions Booked on ECLs of exposures classified as Stage 1 (Other Tier 2 Capital Deductions)		-
Total Tier 2 Capital	237,656	202,115
Total Capital	1,223,386	1,437,132
Total Risk Weighted Assets	13,809,711	8,663,294
Net Common Equity Tier 1 Ratio	5.54%	12.51%
Net Tier 1 Capital Ratio	7.14%	14.26%
Total Capital Ratio	8.86%	16.59%

The increase in Total Risk Weighted Assets was mainly generated by the increase in Risk weights assigned on BDL Foreign Currency Exposures from 50% to 150%, excluding deposits with original maturities less than one year, which are still subject to a 50% risk weight, in line with BDL Intermediary Circular no. 543 dated February 3, 2020.

Pillar 1 Capital Requirements

The tables below set out Pillar 1 Capital Requirements and associated risk weighted assets for CL Group with separate disclosures for the credit risk, market risk and operational risk requirements.

In Millions of Lebanese Pound

	2019	2018
Pillar 1 Capital Requirements for:		
Credit risk	1,038,060	634,665
Market risk	12,789	4,627
Operational risk	53,928	53,772
Total Pillar 1 Capital Requirements	1,104,777	693,064

Credit Risk: Standardized Approach by Exposure Class

Disclosure of the amount of exposures subject to the Standardized Approach of Credit Risk and their related risk weighted assets and capital requirements.

C/V millions of LBP	2019			2018		
	Exposure value	Risk Weighted Assets	Capital Requirements	Exposure value	Risk Weighted Assets	Capital Requirements
Central governments and central banks	10,913,756	8,416,905	673,352	11,997,343	3,543,550	283,484
Public Sector Entities (PSEs)	39,369	-		15,979	-	-
Banks	475,821	182,497	14,600	897,404	222,324	17,786
Corporates	1,305,562	1,928,125	154,250	1,726,976	1,756,866	140,549
Small and Medium Enterprises (SMEs)	1,077,953	783,546	62,684	1,115,351	760,152	60,812
Retail	326,119	261,976	20,958	415,394	328,851	26,308
Residential Mortgage Loan	1,453,094	507,479	40,598	1,612,181	562,124	44,970
Claims secured by Commercial Real Estate	180,129	180,195	14,416	196,863	196,916	15,753
Securitization positions standardized approach	3,671	2,753	220	3,965	2,974	238
Non-performing loans	219,315	267,114	21,369	172,104	115,977	9,278
Other Assets	664,544	445,164	35,613	645,197	443,588	35,487
Total for Credit Risk	16,659,333	12,975,754	1,038,060	18,798,757	7,933,322	634,665

Market risk: Standardized Approach

Disclosure of the level of Market Risk in terms of capital requirements and risk weighted assets as per the Standardized Approach, which is detailed in the BCC Circular No. 256 dated September 26, 2007.

<i>In Millions of Lebanese Pound</i>	2019	2018
Equity Position Risk	-	-
Interest Rate Risk (FVTP&L):		
Specific Risk	612	570
General Market Risk	103	196
Equities Risk (FVTP&L):		
Specific Risk	492	605
General Market Risk	492	605
Foreign Exchange Risk	11,090	2,650
Total Capital Requirements for Market Risk	12,789	4,627
Total Risk Weighted Assets for Market Risk	159,898	57,827

Operational Risk: Basic Indicator Approach

Disclosure of the level of Operational Risk in terms of capital requirements and risk weighted assets as per the Basic Indicator Approach, which is detailed in the BCC Circular No. 257 dated October 08, 2007.

<i>In Millions of Lebanese Pound</i>	2019	2018
Capital Requirements for Operational Risk	53,928	53,772
Risk Weighted Assets for Operational Risk	674,099	672,145

Capital Planning

In light of the Basel III requirements and CL Group's expansion plans locally and abroad, a semi-annual 5-year capital planning exercise is prepared, on a stand-alone and consolidated basis, which is presented to the Board after being approved by the ALCO and the Board Risk Committee.

Market Risk Management

The overall objective of managing market risk is to avoid unexpected losses due to changes in market prices and to optimize the use of market risk capital. Market Risk Management also covers Interest Rate Risk, Foreign Exchange Risk and Equity Position Risk.

Liquidity Risk and Funding Management

The Bank's Liquidity Risk Management Policy establishes specific liquidity gap limits and includes cash flow projections and emergency funding mechanisms. The Bank is abiding with the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as required by the Basel III framework. As per BCC Circular no. 295 dated April 26, 2018, the Bank reports to the BCC monthly LCR ratios for all CL Group entities. Monitoring and management is performed through a state-of-the-art ALM solution acquired at Group level allowing static and dynamic ALM management and functional reporting.

Credit Portfolio Management

The Bank's approach to controlling various risks begins with optimizing the diversification of its commitments. The management criteria set out in its internal policies include measures designed to maintain a healthy degree of diversification of credit risk in its portfolios.

The criteria established for portfolio diversification and related limits, which are set by type of business segments, products, entities, credit risk mitigants, economic sector, regional and country exposures, are based on the findings of sector-based studies and analyses conducted by the Risk Management and Strategy Division at Group level, and are approved by the Credit Policy Committee and by the Board Risk Committee. Continuous portfolio analyses are performed to anticipate problems with any sector or borrower before they materialize as defaulted payments.

Credit Risk Management

Our credit risk management principles are guided by the following six overall risk management principles:

- ensuring that credit quality is not compromised for growth;
- diversifying credit risks in transactions, relationships and portfolios;
- using our credit risk rating and scoring systems, policies and tools;
- appropriate pricing of the credit risks taken; applying consistent credit risk exposure measurements; and
- mitigating credit risk through prevention and early detection and warning signals' controls.
- Our business activities are conducted in such a way as to avoid any reputational risks. The Bank has selective lending criteria in this respect approved at level of the Risk Committee and Board of Directors.

Credit Risk Rating System

The corporate and SME Credit Risk Rating System is designed to measure and identify the risks inherent in our credit activities in an accurate and consistent manner. Each obligor is assigned a borrower rating (BR), reflecting the probability of default (PD), after an assessment of the credit quality of the obligor. Generally, the key risk factors assessed include industry, markets, firm competitiveness, company's qualitative assessment, management quality and financial performance indicators.

Credit Risk Monitoring and Control

Credit risk monitoring refers to continuous monitoring of individual credits inclusive of off-balance sheet exposures to obligors, as well as the overall credit portfolio of the Bank. The Bank enunciates a system that enables it monitor the quality of the credit portfolio on a day-to-day basis and takes remedial measures as and when any deterioration occurs.

Managing Collection of Delinquent Loans

A loan is delinquent if any of its scheduled payments are in arrears for a period greater than three days. Retail loans which are in arrears are actively managed by the Collection Department and the Regional Management with the intent of avoiding losses, or mitigating it to the greatest extent possible. Management makes general provisions for delinquent loans on a monthly basis.

For commercial facilities, delinquent loans or excesses over limits are regularly communicated to the Senior Executive Management and pertinent credit committees for close monitoring and decisions accordingly. Decisions of downgrade and classification of the Borrowers are taken at the level of the respective Credit Committee including an impairment study.

Managing Problem Credits

The Bank establishes strict systems and policies to identify and follow up on problem loans. Once the loan is identified as problematic, it is managed under a dedicated remedial function independent of the originating Business Lines.

Policy and Tools for the Monitoring and Recovery of Impaired Assets

The BDL Basic Circular No. 58 requires, inter alias, banks to classify loans into six regulatory categories as follows:

1. loans classified "Normal";
2. loans classified "Follow Up";
3. loans classified "Watch and Settlement";
4. loans classified "Substandard";
5. loans classified "Doubtful"; and
6. loans classified "Loss".

Consequently, the Bank believes that it has satisfied all the related regulatory requirements.

As per IFRS 9 guidelines and local regulatory requirements, in line with BDL Basic Circulars No. 81 revised December 24, 2014 and No. 143 issued in November 7, 2017, and BCC Circular No. 293 dated December 28, 2017, the Bank is applying the IFRS 9 expected credit loss (ECL) methodology in accounting for credit losses and assigning ECL provisions against loans, based on specific staging criteria.

IFRS 9 Requirements

In line with the Central Bank of Lebanon Basic Circular no. 143 dated November 7, 2017 and its applied BCC Circular no. 293 issued by the Banking Control Commission of Lebanon dated December 28, 2017, the regulatory authorities in Lebanon have implemented a comprehensive framework for the IFRS9 implementation to be adopted by all Banks operating in the country including their local and foreign branches and subsidiaries. As such, Group CL is fully compliant with all requirements of the IFRS9 standards effective January 1, 2018.

In addition, the Bank has successfully implemented PricewaterhouseCoopers' (PWC) RiskBrain software for managing IFRS9. RiskBrain is a comprehensive and integrated solution, which provides the Bank with a solid framework to; manage credit events and transactions / facilities, IFRS9 calculations and accounting generation.

The successful implementation of PwC IFRS9 tool is part of the Bank's strategy and commitment to comply with all local and international regulatory requirements and other financial reporting obligations.

Environmental and Social Risks

The Bank continuously endeavors to ensure effective Social and Environmental Management practices in all its lending activities and seeks to effectively manage and mitigate environmental and social risks in the projects they finance.

International Finance Corporation (IFC)

CL Group is directed by its agreement with the IFC, which was signed in September 2018 to adhere to sound banking principles and promote the full range of its activities in environmentally and socially reliable developments.

Social and Environmental Management System (SEMS)

The Credit Risk Management has developed the SEMS with the basic objective of ensuring that the environmental and social implications of a potential customer are identified and assessed early in the Bank's planning and decision-making process and that these environmental considerations are incorporated into the preparation and approval of facilities.

Operational Risk Management

In line with the BCC Circular No. 252, the Bank established an Operational Risk Management Dept. (ORMD), functionally independent of the risk generating business lines and responsible for the design, maintenance and ongoing development of the Operational Risk Management Framework (ORMF) within the Group CL.

The ORMF takes into account the Bank risk appetite, risk profile and market and macroeconomic conditions. This includes prudent policies and processes to identify, assess, evaluate, monitor, report and control or mitigate operational risks (OR) on a timely basis.

The ORMF encompasses the identification and assessment of OR inherent in the Bank's policies, products, activities, projects, processes and systems, implementing a process to regularly monitor OR profiles and material exposures to losses, control and mitigation of OR, and appropriate disclosures.

As per BDL Basic Circular No.104 and the BCC Circular No.257, the Bank allocates a capital charge to cover the OR relying on Basel II Basic Indicator Approach (BIA).

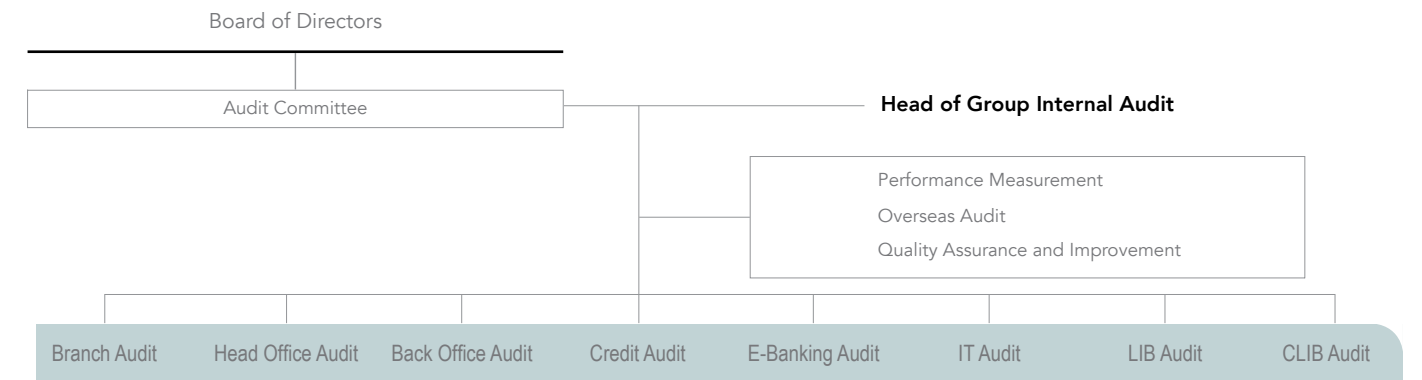
Information Security Risks

Privacy is becoming one of a prime concern for organizations. The demands for implementing Data Protection standards are increasingly high and companies are facing more and more complex task to evaluate whether their data processing activities are legally compliant. In 2018, the European Union (EU) "General Data Protection Regulation" (GDPR) entered into force and brought with it several challenges to organizations including Group CL. With this respect, the Information Security Team devised and maintained a roadmap to comply with the regulation and followed upon the needed activities with the concerned Divisions/Departments. Credit Libanais achieved PCI-DSS compliance since 2016 and continued to maintain its certificate as the sole Bank in Lebanon with the PCI-DSS certification.

Business Continuity Planning

At Credit Libanais, business continuity is a business approach that includes policies, and procedures for ensuring employees and Bank assets are protected, and essential activities and services can be maintained or recovered in a timely manner in case of incidents. The framework is compliant with leading business continuity management standards, Central Banks' regulations in Lebanon and other countries where Credit Libanais has presence.

Internal Audit



Organizational Structure of the IAD

The IAD is business-centric, and is composed of specialized audit departments that have gained sufficient experience in the business and can provide quality services and pertinent recommendations to improve the activities of business units. Those include Branch Audit, Centralized Activities Audit, Credit Audit, E-Banking & E-Payments Solutions Audit, IT Audit, Continuous Control Audit, Overseas Audit, other affiliated banks and subsidiaries. Audit department heads enjoy sufficient expertise to manage a team composed of senior and junior auditors, and to deliver high quality audit and consulting services. They report hierarchically to the Head of IAD (Chief Audit Executive) who in turn reports to the Board of Directors, through the Audit Committee.

Mission Statement

The mission of the internal audit function is to ensure that management establishes and consistently maintains a sound internal control and governance framework within the Bank. In this perspective, the Internal Audit Division (IAD) is responsible for strengthening Credit Libanais' business risk/control environment by providing comprehensive and independent professional audit and consulting services to all divisions and entities operating within the Group, and by assisting management in maintaining proper controls over the assets and operations, thus adding value to the overall business performance.

Vision

Internal Audit Division strives to provide best quality internal audit services with the highest standards of governance and professional excellence, while adding value to all business units. The ultimate goal of the internal audit function is to independently serve the Bank and its key stakeholders by contributing to the achievement of the Bank's strategic goals and objectives in a changing business environment.

Values

The key values of the Bank's Internal Audit Division are integrity, objectivity, confidentiality and competency.

Role

IAD provides assurance to the Board through its Audit Committee that:

- The tone of control set by the Board is properly applied by management throughout the Bank
- The deployed internal controls are adequate to mitigate risks
- Governance processes are effective and efficient
- Organizational goals and objectives are met.

IAD Main Objectives

- Align the audit activities with the Bank's strategy.
- Address risky activities and processes by providing tailored recommendations and implementing best practices.
- Add value to the business risk control environment.
- Ensure adequate implementation of risk management procedures and methodologies and the efficient functioning of the internal control framework.
- Complete a full coverage of the audit areas mentioned in the audit year plan.
- Assign a risk control grade for each business unit and to monitor its improvement over time.

IAD Other Objectives

- Provide consultancy services regarding the improvement of the risk control framework.
- Stimulate objectivity, uniformity, comparability, confidentiality and transparency.
- Accelerate and promote improvements in the control environment.
- Fulfill and properly handle all management requests and special assignments in a timely manner.

- Conduct independent and objective audit reviews and evaluations, while meeting the auditees' expectations.
- Conduct adequate tests and reviews of information systems and applications.
- Maintain quality services and audit documentation according to standards.
- Appraise management actions regarding:
 - Effectiveness of measures taken to assess and manage risks.
 - Reliability, consistency and integrity of data.
 - Measures taken to safeguard assets, documents and records.
 - Compliance with policies, laws and regulations.
 - Respect of code of conduct and the Bank's values.

The internal audit function strives to increase the value added to Credit Libanais Group structures, systems and processes and to improve operational effectiveness and efficiency by:

- Establishing robust risk assessment methodology and annual planning process to focus on existing and emerging risky areas such as strategic, technology and business risks.
- Aligning the audit work plans and other oversight activities with the Bank's strategic goals, objectives and plans.
- Coordinating oversight activities between internal audit function as a third line of defense and other assurance providers within the group, including risk management, compliance and information security functions.
- Regularly reviewing and improving the quality of audit reports by increasing the use of available information technology tools to gather, analyze and present factual data to further enhance the accuracy, completeness and timeliness of audit reports.
- Attract and retain internal audit staff with the right balance of education, technical experience and professional skills and competencies.

Knowledge Management

The IAD is adequately structured and staffed with qualified internal auditors to carry out their duties and responsibilities in a professional manner. They have full knowledge and expertise over the business areas they examine, and are considered experts in their field of specialization, capable of delivering high quality services to auditees, whether the latter are branches, centralized activities or affiliated companies.

Audit Methodology and Approach

The division follows a risk-based approach when auditing business units. This consists of identifying and assessing the inherent risks to the business, the effectiveness of controls that mitigate those risks, and the residual risks remaining after these controls are in place.

Professional Staff

Sufficient technical and on-the-job trainings are delivered to allow our audit team to excel in their missions. Personal development plans are performed for every auditor and include training and education in order to maintain proficiency. Auditors are encouraged to enroll for the CIA (Certified Internal Auditors) certification to enhance their professional knowledge and skills.

Support and Development

The Quality Assurance and Improvement Department within the IAD covers all aspects of internal audit activities and continuously monitors its effectiveness through developing quality assurance techniques. It helps the Head of IAD in adding value through improving the Bank's operations and providing assurance to the Board that the internal audit function is in conformity with the set standards and the Code of Ethics.

Branch Audit

All branches are assigned an overall audit rating according to the level of internal controls exercised by branch management and to residual operational risks inherent to their activities. Based on the overall audit rating, corrective measures are taken in branches to enhance their risk profiles and to address the observations and deficiencies raised in the audit reports.

Branch Audit contributed in the issuance of several new procedural notes that improved the internal control framework and enhanced management oversight over branch operations and activities. Branch Audit exercises regular follow-up with branches to ensure that reported audit deficiencies are properly addressed and timely regularized. Audit assignments in branches were conducted according to the annual audit plan approved by the Board Audit Committee for the year 2019.

Centralized Activities Audit

Centralized Activities function covers all centralized (non-credit related) activities as scheduled in the year plan of 2019 and conducted on-site missions among the different business divisions and support functions.

Credit Audit

Periodic risk-based audits over credit processes and portfolios are undertaken by the Credit Audit Dept. and include consideration of the adequacy and clarity of credit policies and procedures, and in-depth analysis of selection of loan accounts for commercial facilities and retail products. The department conducts regular review over the adequacy of provisions to cover any potential impairment over the loan portfolio.

This department covers credit assignments as scheduled in the year plan of 2019 which encompassed retail products, retail and corporate commercial facilities and credit risk management processes.

E-Banking and E-Payment Solutions Audit

This department covers all the E-Banking services offered by the Bank as scheduled in the year plan of 2019, which comprised all the digital channels (website, internet, intranet, social media, etc.), customer care and satisfaction and abiding by all the regulatory compliance. In addition, many audit assignments were conducted over the activities that fall under the E-Payment Solutions and Cards Technology Division, and ensured that all the processes adopted are compliant with the Bank's rules and the Lebanese regulations.

Overseas Audit

Operations and activities pertaining to foreign branches, entities and affiliates were covered during 2019. Reports issued were discussed with local management and communicated to the regulatory authorities.

Continuous Control

This unit ensures an off-site control using specific MIS and exception reports produced on branches, and initiates inquiries with branch management for particular deficiencies, while maintaining close coordination with the branch audit team in charge of performing on-site visits to branches, thus complementing the oversight function exercised by the IA Division over branch operations and activities in a way to improve the role of internal audit function.

IT Audit

Several audit assignments were performed on the IT functions which covered various systems, applications and processes applied at the Bank level. An IT General Control review was also conducted to enhance physical and logical security over the IT environment.

Special Assignments

Special assignments were conducted by the IA Division at the request of the General Management and different issues that needed additional investigation and proper follow-up were tackled.

Affiliated Banks/Subsidiaries

Resident auditors are assigned to review the operations and activities of the affiliated banks. Internal audit reports issued based on an approved year plan for 2019 were duly submitted to their respective Board Audit Committees. Furthermore, an audit field visit was performed at Credit International SA (Senegal) covering all activities and operations of this affiliated bank. This department covered also during 2019 the non-banking subsidiaries in which the parent Bank Credit Libanais maintains controlling interest, in accordance with regulatory requirements.

Quality Assurance and Improvement

A timely follow-up is conducted by this department on all audited businesses to ensure that all observations raised in the internal audit reports are well implemented within the timeframe agreed-upon, which was reflected in a significant improvement in the control framework during the year 2019.

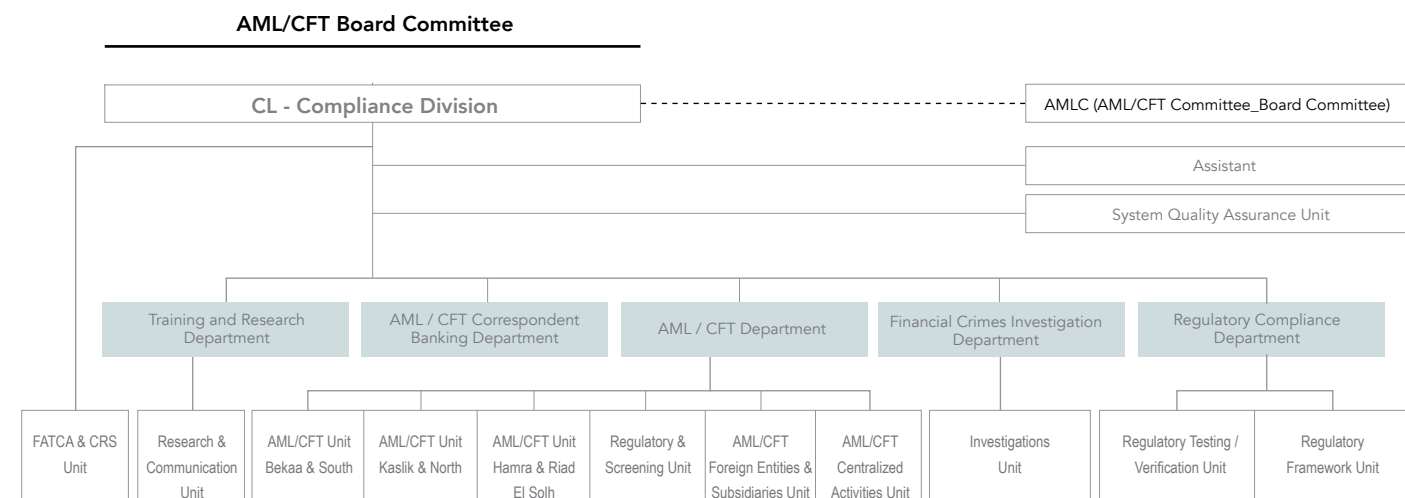
Review reports are submitted to management and to the Board Audit Committee on a quarterly basis showing the major audit findings that were identified and that might affect the realization of the Bank's objectives, in addition to a briefing showing the compliance of auditees with the audit recommendations and their current status.

Quality reviews are also conducted over the audit files and documentation to ensure that quality services are consistently delivered throughout all the audit assignments and in accordance with the standards and policies set.

Major Activities in 2019

- Transfer of knowledge and competencies through assignment of audit resources to vacant managerial positions.
- Standardization of the audit reports, including the introduction of a systematic rating methodology of audit observations and the assignment of an overall audit rating for all audited units.
- Greater audit coverage includes all branches and central departments within the last 2 years (Audit Cycle).
- Several training hours invested in our people through attending internal and external workshops and training sessions pertaining to relevant business and banking topics. In addition, many auditors are preparing for the CIA certification (Certified Internal Auditors).
- The Board Audit Committee of the parent Bank (Credit Libanais) met on a regular basis (4 meetings in 2019 attended by all members) to discuss the major activities and findings that occurred during the internal audit assignments, out of which:
 - two meetings were dedicated to discuss with the external auditors the financial reporting and accounting issues,
 - meetings with other senior management officers to discuss the major challenges facing their duties, and the way to overcome them.
- Separate meetings were also dedicated to the Audit Committees of the affiliated banks (4 meetings for each of CLIB and LIB and 2 meetings for CISA during the year 2019, in which they discussed the financial reporting and accounting issues with the external auditors).

Compliance and AML/CFT



Objectives of the Compliance Function

The main objectives of the Compliance Division are to support the Board of Directors and Executive Senior Management in ensuring that CL Group acts in line with relevant laws, rules and regulatory requirements in order to prevent, manage and mitigate compliance risks. Therefore, CL Group has embedded compliance culture across all entities, locally and abroad, to ensure the application of sound banking practices, while abiding by recognized ethics and a proper code of conduct.

AML/CFT Board Committee

The AML/CFT Committee supports the Board of Directors in its functions and supervisory role with respect to the AML/CFT function and assists it in fulfilling its oversight responsibilities and taking the appropriate decisions with respect to reviewing, from a risk-based approach, the reports submitted by the AML/CFT Department, Internal Audit Division, Special Investigation Commission, Banking Control Commission, External Auditors and other regulatory bodies. It also ensures that the Bank's management understands the related risks to which the Bank may be exposed and has the appropriate policies and procedures in place to manage/mitigate such risks.

Reporting Lines

The Chief Compliance Officer reports functionally to the Board of Directors through the AML/CFT Board Committee and administratively to Senior Management through the AML Committee. The Chief Compliance Officer also has a direct relationship with the local Financial Intelligence Unit (The Special Investigation Commission of the Central Bank of Lebanon) and ensures the filing and reporting of Suspicious Transactions Reports (STRs) as well as responding to inquiries on a timely basis.

Authority

The Compliance Division takes its authority from the Board of Directors. It has unrestricted access to all areas of the Bank and to any documents and records considered necessary for the performance of its responsibilities, and has the authority to request any data or report from any member of staff at any level of the organization, as may be needed.

The following briefing sets out the composition of the Compliance Division:

The Compliance Division Head

The Head's main mission is to support, evaluate and influence a culture of compliance throughout CL Group and handle the management of an efficient compliance monitoring program particular to fighting Money Laundering and Terrorism Financing, overseeing the proper implementation of correspondent banking policies and liaising with Senior Management and the Board to ensure that established practices and procedures are efficient and effective in identifying, preventing, rectifying non-compliance breaches with rules and regulations.

Training and Research

The Research and Training Department prepares studies related to Compliance requirements and ensures their dissemination in coordination with the Compliance Training Academy that gives ongoing staff training at various levels of the organization. Continuous learning includes mandatory in-house and external training seminars, on-the-job training, e-learning AML/CFT programs covering a broad range of topics. In addition, training seminars are conducted in collaboration with many national and international organizations ensuring the Bank's exposure and acquaintance to the latest developments in AML/CFT/Compliance trainings.

The Training and Research Department comprises the Research and Communication Unit

The Compliance Training Academy

The Compliance Training Academy was recently established by the Compliance Division, with a main objective to increase the knowledge and skills of Credit Libanais Group employees, to allow them stay abreast of requirements and emerging trends in the compliance field, and in return, support the mitigation of Money-Laundering and Terrorist-Financing risks to which the Bank may be exposed.

At the end of the Academy Program, participants receive a "Certificate of Completion" that serves as a passport for future "Promotions from Within" that require qualified candidates with solid skills and knowledge in the compliance field or any other related challenging fields.

Courses covered consist of:

- Compliance Culture Components
- Compliance Risk Management
- Regulatory Compliance (Lebanese Compliance Framework)
- AML/CFT Regulatory Framework
- Compliance and Ethics (Anti-Bribery and Corruption Policies, Code of Conduct, Code of Ethics)
- GDPR Compliance and Applicable Requirements
- AML/CFT International Standards and Trends in AML
- Tax Compliance (Tax Evasion/Avoidance, FATCA/CRS)
- Sanctions and their Influence on the Banking Sector
- Sanctions Screening (Guidance and Automated Solutions)
- Customer Identification and Verification Process (CTS, KYC, Customer Due Diligence and Alerts)
- Suspicious Transaction Report (STR): Mechanism, Escalation Process and Reporting
- Real Life Money Laundering/Terrorist Financing (Scenarios and Case Management)
- AML/CFT Risk Based Approach
- Correspondent Banking (AML Risk Assessment/Trade Based Money Laundering (TBML))
- Money Laundering and Card Fraud Monitoring
- Branch Compliance Officers (Designation and Responsibilities)
- Business Communication and Reporting

The Compliance Division is composed of five functions:

I- AML/CFT

The AML/CFT Function's main role is to shield the Bank against criminal activities that might damage the Bank's reputation. In this respect, the Bank establishes and maintains an effective AML/CFT compliance framework in order to ensure that CL Group adheres to domestic and international AML/CFT rules and regulations set by multinational organizations like FATF, Basel, Wolfsberg group, etc.

The Department comprises the following Units:

- Regulatory and Screening Unit
- AML/CFT Central Unit over Bekaa and South Regions
- AML/CFT Central Unit over Kaslik and North Regions
- AML/CFT Central Unit over Hamra and Riad-El-Solh Regions
- AML/CFT Central Unit over Foreign Entities and Subsidiaries
- AML/CFT Unit over Centralized Activities

AML/CFT Policies and Procedures

The Compliance Division established the required AML/CFT Policies and Procedures for each entity of CL. The latter are modified and updated, as needed, to reflect changes in laws and regulations, products, and organizational changes.

AML/CFT Program

Main tasks performed by the Central AML/CFT Function include:

- Identify high-risk operations/customers and set tailored controls to mitigate the risks involved.
- Provide for periodic updates to the customer's risk profile.
- Inform the Board of Directors through the AML/CFT Board Committee and Senior Management through the AML Committee of compliance deficiencies and related corrective action taken, transactions monitored, alerts generated, unusual transactions identified, suspicious transaction reports filed, etc.
- Provide sufficient controls and monitoring systems for the timely detection and reporting of potentially suspicious activity and large transaction reporting.
- Provide for daily updates to the screening of the customer's database against local/international sanctions lists and provide for timely screening of wire transfers.
- Respond to SIC inquiries/investigations/decisions.
- Numerous control and compliance tasks are also performed by the Branch Compliance Officers (BCOs).

Systems, Software and Sanctions Lists

The control and monitoring processes include:

a) Screening of names against Local and International Sanctions Lists

This process is performed based on an automated filtering tool called the Designated Name Filtering System (DNFS), used to compare onboarding and existing customers as well as wire transfers against blacklisted names provided locally by the Special Investigation Commission of the Central Bank, and internationally by the World Compliance search tools. Major International Sanctions Lists used for screening include but are not limited to: OFAC, EU, HMT, Interpol, FBI, etc....

b) Transaction Monitoring

The "AML Reporter" is an automated system that uses a dynamic method to calculate account activity profiles and detect suspicious account activities, while facilitating documentation and verification of AML, KYC and EDD (Enhanced Due Diligence) compliance efforts.

In addition to reports generated, the AML Reporter determines profiles and activity expectations by means of generating automatic Alerts detecting abnormal transactional behavior.

c) Reporting of Suspicious Cases

Unusual or irregular transactions are investigated and in case of doubt, they are reported to the "AML Committee" at Executive/Senior Management level for discussion. In case of suspicion, the case is reported to the "Special Investigation Commission" (SIC) of the Central Bank and the Bank's "Anti Money Laundering Board Committee".

d) Risk Based Approach (RBA) Methodology

Credit Libanais applies the RBA when assessing the risks of its customers and operations from a ML/FT perspective according to a matrix incorporating a set of parameters mainly related to the customer and the nature of his business, products and services as well as country of operation. RBA is used to classify the Bank's customers into 3 categories of risks (High, Medium and Low).

e) AML Model Validation

Credit Libanais conducts periodic reviews over each model to determine relevance and efficiency of existent procedures and processes, while introducing continuous. In this respect, models are integrated into the Bank's broader AML program based on many systems and databases in place, such as the CRM (Customer Relationship Management) data warehouse, the AML reporter, the DNFS, sanctions lists, etc.

II- AML/CFT Correspondent Banking

The Bank applies global correspondent banking requirements, policies and procedures in each jurisdiction of its presence. As such, ongoing due diligence of existing and new correspondent banking relationships is regularly conducted to ensure implementation of correspondent banking policies, global requirements and best practices in the field.

III- Financial Crimes Investigation

The Compliance Division upgraded the Financial Crimes Investigation into a separate section to ensure that Group CL has an embedded and sound Anti-Bribery and Corruption program and framework.

Responsibilities of the FCI Department cover the following tasks:

- To prepare and maintain an Anti-Bribery and Corruption (ABC) Manual to ensure that all Group CL staff and associated persons/third parties understand and comply with relevant policies and procedures and conduct their functions with integrity and high behavioral standards, preventing the Bank from any reputational damage.
- To carry out and maintain a Know Your Employee (KYE) program that allows the Bank to understand its employee's background, potential conflicts of interest and susceptibility to fraud, corruption and money laundering conspiracy.
- To establish an effective control framework for pre-employment background screening of prospective and current employees, and develop this framework upon a risk-focused approach for determining risk levels associated with the position of the employee, unwarranted signs of wealth and unexpected incomes/deposits. To ensure that these control levels are taking into consideration the employee's accessibility to decision making.
- To monitor employees' accounts for potential signs of irregular/suspicious activities, in order to ensure that these accounts are subjected to the same anti-money laundering and combating the financing of terrorism procedures as applicable to customers' accounts.
- To conduct investigations of Potential/Suspected Financial Crimes including Money Laundering, Bribery, Corruption, Fraud, general employee/third party misconduct, and escalate cases that require to be submitted to local FIU where appropriate.
- To enhance the control framework and measures applied based on detected weaknesses encountered during the conducted investigations, in order to strengthen the adopted policies and procedures.

The FCI Department comprises the Investigations Unit.

IV- Regulatory Compliance

Regulatory Compliance is an independent function that identifies, assesses, provides advice, and continues to focus on strengthening the regulatory compliance framework to reduce the risk of financial loss and reputational damage. RC engages with regulators to help ensure new regulatory requirements are effectively implemented.

The RC comprises the following Units:

- Regulatory Testing/Verification
- Regulatory Framework

FATCA and CRS

The main role of this unit is to oversee the adequate implementation of FATCA (Foreign Account Tax Compliance Act) and CRS (Common Reporting Standard) procedural requirements at CL Group level. It promotes awareness and delivers the required trainings on the latest developments of FATCA & CRS laws.

FATCA Integration

The Compliance Division has completed the Foreign Account Taxation Compliance Act (FATCA) online registration of Credit Libanais on 7/4/2014 and accordingly obtained the Global Intermediary Identification Number (GIIN), in conformity with FATCA provisions and regulatory requirements. The Bank has acquired an IT software for FATCA implementation aiming at monitoring transactions and accounts falling under FATCA provisions and performing FATCA required reporting processes.

FATCA Implementation

The Compliance Division follows practical measures to ensure the timely and efficient application of FATCA procedural requirements.

FATCA Reporting

The Compliance Division developed a FATCA Program supported by a timeline for each scheduled requirement, while endorsing the responsibility of applying a compliant procedural framework and action plan abiding by the IRS requirements. The first FATCA reporting was done on 30/6/2015.

CRS Reporting

The first Common Reporting Standard (CRS) reporting was done during 2018 for CL according to CRS calendar, following the signature by the Lebanese Authorities of the Multilateral Competent Authority Agreement for the automatic exchange of Financial Information on Financial Accounts operating in Lebanon, in order to automatically exchange such information with other CRS reportable jurisdictions on an annual basis. In this respect, the Bank has developed a procedural framework and acquired IT Software that meet the regulatory requirements worldwide.

Consumer Financial Protection

Principles of Banking and Financial Operations with Customers

The Consumer Financial Protection is a fully independent function from the Bank's operations and business lines. In accordance with BDL Circular 134 and related BCC Circular 281, Consumer Financial Protection directly reports to the Chairman - General Manager, and sends its regular reports to Senior Executive Management and the Board of Directors in matters related to the implementation of the Policy, Charter and Action Plan, and puts forth suggestions for improvements of the Principles of Banking and Financial Operations with customers as per regulatory requirements in place, to promote a better customer experience.

Moreover, Consumer Financial Protection is entrusted with spreading awareness among staff and customers in matters of customer Rights and Duties, as well as standards of suitability, transparency, fairness and equitability. To ensure direct access of customers to the Bank in matters of suggestions or complaints, Consumer Financial Protection established a clear complaints handling mechanism across CL branches, website and social media channels, and continuously ensures awareness spreading and enhancement of professional experience including the implementation of the provision of the Basic Circular # 103 dated March 9, 2006.

In 2019, the CFP continued to ensure a close link between customers and the Bank by following-up on claims received electronically or via the various communication channels implemented across various touchpoints, examining them, giving an opinion in this regard and informing customers of the outcome.

Support Functions Activities and Analysis

Banking Information Technologies
Human Resources

74
76

04

Ouyoun Orghosh - Bekaa, Lebanon



Banking Information Technologies

At Credit Libanais, the Information Technology division plays a crucial role in providing solutions and services that drive the Digital Transformation efforts of the Bank. Positioned to assist in the digital transformation strategy, we work closely with business owners to deliver solutions addressing customers' needs, as well as present and future growth opportunities of the Bank.

- Over the course of 2019, international wire transfers remained slow and costly despite the technology-driven improvements taking place across the payment industry. To overcome this, our IT teams embraced the SWIFT Global Payments Innovation that enhances the performance of the swift system and allows Bank customers to perform same-day payments with predictable fees and multiple details and status enquiries related to any transfer.
- Our experienced IT teams further built on the applications upgrades and enhanced infrastructures to support information systems and services in a secure, highly available and highly-performing environment.
- Our IT teams continued to enhance the security features and parameters to provide reliable technology infrastructure enabling cybersecurity environment across all equipment and applications.
- We are pursuing all phases needed to implement the new digital platforms and call center in co-ordination with the e-banking teams.
- We have supported the implementation of the enhanced prime issuing system in co-ordination with the e-payment solutions teams.
- We continue to support Bahrain branch with the new debit card (tokenization) and the implementation of the open banking with SPD2 through the use of application programming interfaces (APIs).
- With the increasing instability of in the work environments, we enhanced the business continuity support platforms and enabled the work for home strategy for a large number of staff members.

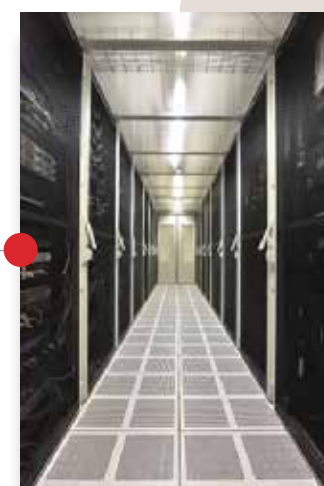
Tier III Certified Data Center

The Tier III Certified Data Center of CL Group is one of the best in the region. It spreads on some 450 m2 with 120 kW of net IT load and is designed to handle all the functions of the Bank.

The main data center environment is water cooled at relatively high temperatures. Normally water-cooled systems for building's supply water at around 6°C; CL data center uses a 10°C chilled water temperature, which greatly increases the efficiency and reduces cost. Moreover, there is no need to provide large-scale humidification because water will not condense as much as when the chilled water temperature is lower, which substantially saves on energy. The chillers also have variable speed compressors and variable chilled water pumps that can adjust as per the needed capacity.

CL Tier III data center features are as follows:

- Chilled water-cooled white space. The chilled water system significantly increases efficiency and running costs.
- The chiller compressors and pumps optimize energy consumption based on actual demand.
- A special variable primary chilled water system further reduces energy expenditures.
- Computer room air conditioning units reduce energy consumption.
- Cold air containment enhances the overall system efficiency.
- The fresh air for the data center is centrally pre-treated with an energy recovery unit.
- Associated office space is air conditioned by a VRV (variable refrigerant flow) system for high efficiency and lower energy expenditures. The system interfaces with the BMS (building management system) for scheduling and centralized parameterization to avoid operation during unoccupied periods.
- The latest VRV system technology provides cooling to the office space.
- Re-circulated air from offices ventilates the UPS/battery room through transfer fans, which reduces the amount of treated fresh air.
- Modular UPS systems adjust capacity to actual IT loads. The lighting is switched by a lighting control system that includes automatic motion sensors and centralized parameterization and scheduling to avoid operation during unoccupied periods.
- The BMS (Building Management System) integrates all subsystems, either directly or via SNMP (Simple Network Management Protocol), KNX, and data center infrastructure (DCIM) controls. The system allows an overall insight on the operations of the data center, monitoring all energy expenditures, faults, and alerts.
- DCIM optimizes operations and increases overall efficiency.



Human Resources

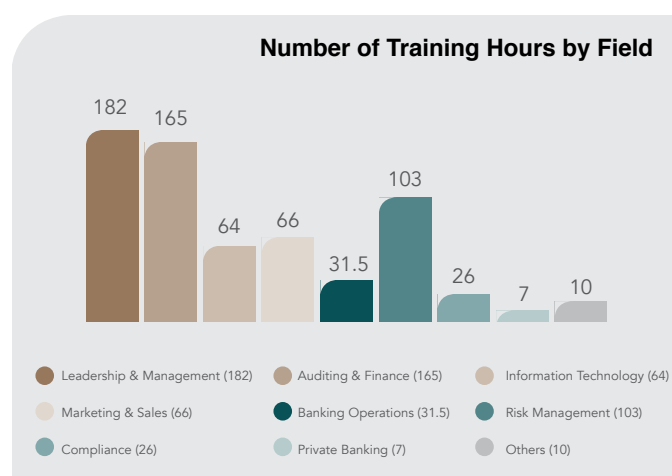
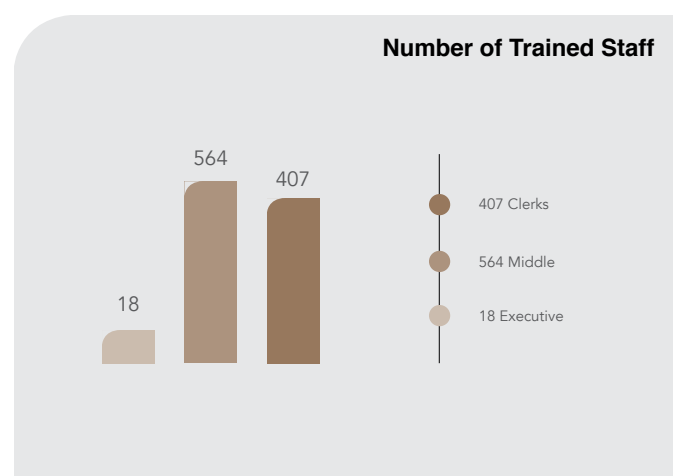
Digital banking continues to have its part in changing the nature of banking services, and our search for the needed talent was further pursued in 2019.

Priority was again given to the internal redeployment of employees in view of retaining and advancing the Bank's talents. Credit Libanais promoted interested employees to jobs other than their own.

Training and Development

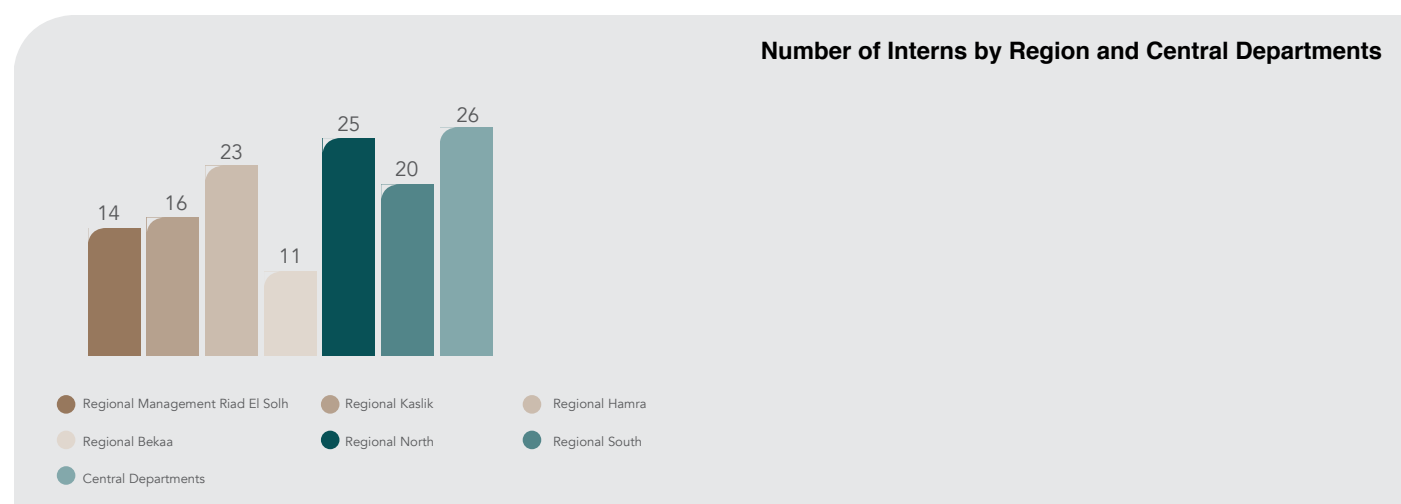
In 2019 events changed at a very fast pace, with forceful turning points and critical changes. To maintain a good market position, CL like other peer banks, had to act very fast in a crisis environment characterized by fast technological developments.

We mainly focused on "Leadership and Management" in times of crises, stressing on Data Analysis for Decision Making and Project Management Trainings. In addition, we emphasized on the "Auditing and Finance" category which includes Bank's Financial Analysis and Feasibility Study.



SUMMER INTERNSHIP 2019

Credit Libanais maintains a structured internship program with an adequate supervision to ensure that quality training programs are followed. Providing sufficient information before their program begins and hosting an intern orientation is mandatory to have a smooth start. Our Training and Development team filters applications received by regions and departments while collaborating with top universities.



TALENT MANAGEMENT

Credit Libanais ensures tailored developmental trainings and projects mainly related to Initiative, Leadership and Innovation to ensure adequate succession planning. In this context, 80% of our Leadership pool were promoted to upper positions over the course of 2019.

Sourcing & recruiting

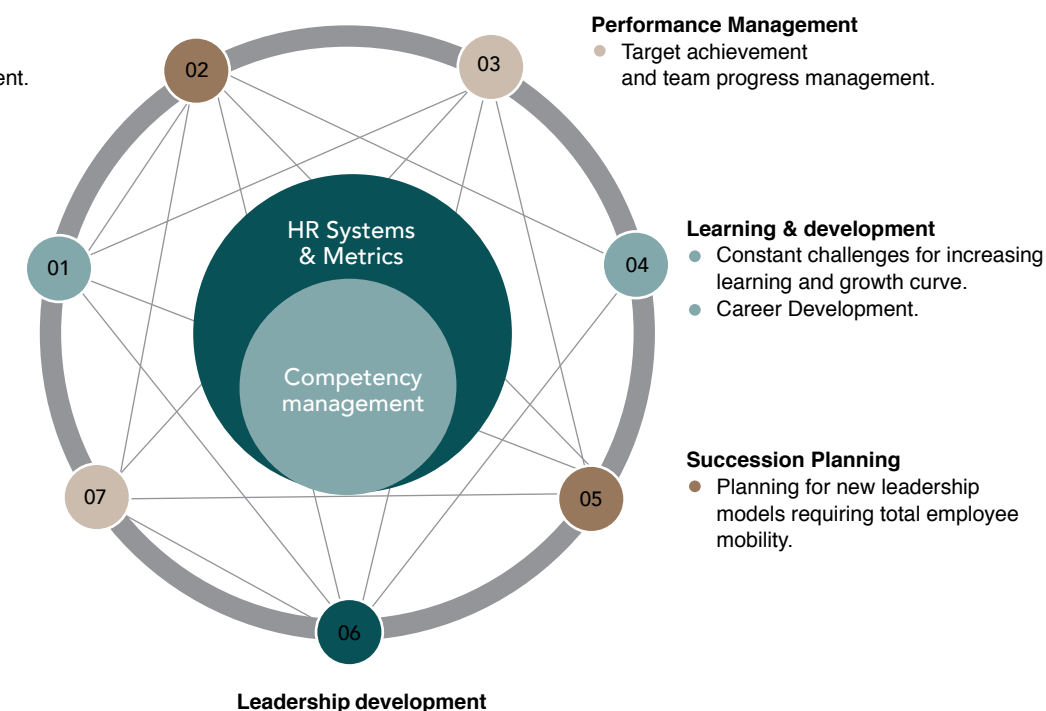
- Efficiency in staff recruiting and human resource management.

Talent Strategy & Planning

- Planning and formulating risk elimination strategies.
- Formulating business plans based on market research.

Compensation

- Employee monetary benefits and equal pay structures.
- Routine performance evaluation for growth opportunities.



ELEARNING PROGRAM

The new approach in e-Learning called BLENDED X courses that combines online educational materials with traditional classroom approaches allowed us to deliver soft and technical skills. Every learner had a new interface that showed their planned learning path. Major courses given to all CL staff were in the areas of Anti Money Laundering, Security Awareness, Legal Aspects of Banking Operations, Transparency and Consumer Protection and GDPR, with and evaluation scheduled before and after each course. E-learning proved to be extremely useful later on in 2019 namely after the surge of COVID19 pandemic.



Tannourine Hills - North, Lebanon

Financial Statements Credit Libanais Group

Management's Discussion and Analysis of Financial Condition and Results of Operations of Credit Libanais Group	80
Independent auditors' report	92
Consolidated statement of financial position	96
Consolidated statement of profit or loss and other comprehensive income	98
Consolidated statement of changes in equity	100
Consolidated statement of cash flows	104
Notes to the consolidated financial statements	106

Management's Discussion and Analysis of Financial Condition and Results of Operations of Credit Libanais Group

Basis of Presentation

The following discussion and analysis have been prepared based on the audited consolidated financial statements of the Group as at and for the years ended 31 December 2019 and 2018 and on selected financial information.

The consolidated financial statements of the Group as at 31 December 2019 represent the financial position of Credit Libanais Group which incorporates the activities of Credit Libanais SAL together with its wholly owned subsidiaries, Credit Libanais Investment Bank SAL (CLIB), Lebanese Islamic Bank SAL (LIB) and Credit International SA – Senegal (CISA) and other companies directly or indirectly owned by Credit Libanais SAL. All material inter-company transactions incurred during the years 2019 and 2018 were eliminated when preparing the consolidated financial statements in accordance with regulations and standards agreed upon for consolidation purposes.

Lebanese Banking Sector

Total Lebanese banking sector assets reached LBP 326,797 billion (or US\$ 216.78 billion) as at 31 December 2019, compared to LBP 376,097 billion as at 31 December 2018 (or US\$ 249.48 billion), reflecting an annual decrease of LBP 49,300 billion or 13.11% year-on-year. Total loans to private sector made by the Lebanese banks decreased by 16.19% in 2019 to LBP 75,027 billion (or US\$ 49.77 billion) as at 31 December 2019 down from LBP 89,524 billion as at 31 December 2018. Total customer deposits, including non-resident private deposits, held by the Lebanese banking sector decreased by 8.29% in 2019 to LBP 246,865 billion (or US\$ 163.76 billion) as at 31 December 2019 from LBP 269,174 billion as at 31 December 2018. In addition, the deposit dollarization rate increased to 73.75% as at 31 December 2019, compared to 68.93% as at year-end 2018.

Analysis of Financial Position

Total Assets

As at 31 December 2019, the Group had total assets of LBP 16,589.46 billion, compared to LBP 17,734.45 billion as at 31 December 2018, reflecting a year-on-year decrease of LBP 1,144.98 billion or 6.46%. This decrease in total assets, particularly in liquid assets, was substantially matched by decreases in funding, which consisted primarily of customer deposits and loans from Central Bank of Lebanon and financial institutions. The average decrease in total assets of the Lebanese banking sector stood at 13.11% during the year 2019. The Group's share of total assets of the Lebanese banking sector reached 5.08% at year-end 2019, compared to 4.71% at year-end 2018.

Sources of Funding

The following table sets out a breakdown of the Group's sources of funding as at 31 December 2019 and 2018, respectively:

	31/12/2019 LBP millions	31/12/2018 LBP millions	Percentage change
Loans from Central Bank of Lebanon and Financial Institutions	1,768,383	1,849,377	-4.38%
Demand deposits	81,067	83,199	-2.56%
Time deposits	1,687,316	1,766,178	-4.47%
Customer Deposits	12,862,059	13,854,286	-7.16%
Demand deposits	1,499,262	1,177,504	27.33%
Time deposits	4,264,629	5,177,313	-17.63%
Sight saving accounts	314,488	223,956	40.42%
Time saving accounts	6,561,234	6,940,661	-5.47%
Deposits from Related Parties	222,446	334,852	-33.57%
Total	14,630,442	15,703,663	-6.83%

Customer deposits

Total customer deposits of the Group decreased by 7.16% to LBP 12,862.06 billion as at 31 December 2019 from LBP 13,854.29 billion as at 31 December 2018, while the average decrease rate in total deposits of the Lebanese banking sector stood at 8.29% during the year 2019. Customer deposits represent the principal source of the Group's funding and comprised 87.91% and 88.22% of the Group's total assets as at 31 December 2019 and 2018, respectively.

As at 31 December 2019, savings accounts, which are mostly held by individuals and have, average maturities of approximately 3 to 6 months, represented the largest portion of the Group's customer deposits 53.45%. Demand deposits, which earn the minimum balance rate offered by the Group, represented 11.66% of total deposits; time deposits, which are mostly held by businesses, represented 33.16% of total deposits and related parties represented 1.73% of Total deposits.

The following table sets out the compositions of the Group's customer deposits, by currency, as at 31 December 2019 and 2018, respectively:

Deposits by Currency

	Deposits 31/12/2019	Deposits 31/12/2018	Increase/ Decrease	Percentage change Group Sector	
In LBP (LBP billion)	4,640.83	5,781.30	(1140.47)	-19.73%	-25.62%
In foreign currency (converted into USD million)	5,453.55	5,355.22	98.33	1.84%	-1.87%
Total (LBP billion)	12,862.06	13,854.29	(992.23)	-7.16%	-8.29%

Year-on-year, foreign currency deposits were 1.84% higher as at 31 December 2019, compared to 31 December 2018, while LBP deposits decreased by 19.73% over the year 2019, compared to a decrease of 25.62% in LBP deposits for the Lebanese banking sector. As at 31 December 2019, customer deposits held in foreign currencies, principally US Dollars, represented 63.92% of total customer deposits as at such date, compared to 58.27% as at 31 December 2018, while the banking sector's deposits dollarization increased to 73.75% as at year-end 2019 from 68.93% as at year-end 2018.

Foreign currency deposits are primarily comprised of time deposits and savings accounts.

Loans Portfolio

As at 31 December 2019, loans and advances to customers (net of provisions for doubtful debts and reserved interest) amounted to LBP 4,456.37 billion, compared to LBP 4,981.19 billion as at 31 December 2018, reflecting a year-on-year decrease of 10.54%. Over the same period, aggregate loans to private sector made by Lebanese banks decreased by 16.19%.

The ratio of the Group's total loans to total assets was 26.86% as at 31 December 2019, compared to 28.09% as at 31 December 2018. The Group's loans-to-deposits ratio decreased to 34.65% as at 31 December 2019 compared to 35.95% as at 31 December 2018 and compared to the average of 31.33% for the Lebanese banking sector.

The table below sets out the composition of the Group's loans portfolio, by currency, as at 31 December 2019 and 2018, respectively:

Loans by Currency

	Loans 31/12/2019	Loans 31/12/2018	Decrease	Percentage change	
				Group	Sector
In LBP (LBP billion)	1,901.79	2,177.98	-276.20	-12.68%	-15.96%
In foreign currency (converted into USD million)	1,694.58	1,859.50	-164.92	-8.87%	-16.28%
Total (LBP billion)	4,456.37	4,981.19	-524.82	-10.54%	-16.19%

Of the Group's total loans portfolio, LBP 1,901.79 billion or 42.67% were denominated in Lebanese Pounds, with the remaining 57.33% denominated in foreign currencies, principally in US Dollars, as at 31 December 2019. Loans in foreign currencies represented 31.07% of total foreign currency customer deposits as at 31 December 2019, compared to 34.72% of total foreign currency customer deposits as at 31 December 2018, and compared to the average of 29.74% for the Lebanese banking sector as at 31 December 2019.

The following table sets out the composition of the Group's loans portfolio by the borrower's economic activity, after accounting for specified loan loss provisions as at 31 December 2019 and 2018:

	31/12/2019 LBP millions	31/12/2018 LBP millions	Percentage change
Loans by industry			
Retail (personal, consumer and housing loans)	1,936,214	2,142,276	-9.62%
Trade and Services	1,545,610	1,680,438	-8.02%
Industries	538,854	627,579	-14.14%
Construction and Real Estate	364,601	450,004	-18.98%
Brokerage	20,435	23,030	-11.27%
Agriculture	50,653	55,680	-9.03%
Government	0	2,183	-100%
Total	4,456,367	4,981,190	-10.54%

Personal, consumer and housing loans increased to 43.45 % of total loans as at 31 December 2019, compared to 43.01% as at 31 December 2018, while trade and services loans increased to 34.68% of total loans as at 31 December 2019, compared to 33.74% as at 31 December 2018. The Group's industrial loans, construction loans, brokerage loans, agriculture and Government loans comprised 12.09%, 8.18%, 0.46% and 1.14% of total loans, respectively, as at 31 December 2019, compared to 12.60%, 9.03%, 0.46%, 1.12% and 0.04% of total loans, respectively, as at 31 December 2018.

Liquidity

As at 31 December 2019, Credit Libanais Group maintained high liquidity levels which represented 90.06% of total customer and related parties deposits and 69.63% of total assets, compared to 87.46% and 68.15% respectively, as at 31 December 2018. Liquidity was distributed on the basis of 40.77% in Lebanese Pounds and 59.23% in foreign currencies at 31 December 2019, compared to 46.08% and 53.92% respectively as at 31 December 2018.

As a result of the international financial crisis that almost affected the majority of banks operating all over the world, the Group reconsidered the risk exposures maintained with its bank correspondents and accordingly redistributed the liquidity held and the credit limits granted to them in a way to avoid high concentration of liquidity with a single correspondent and to deal with prime banks that can benefit from their government's financial support.

Lebanese government securities

The following table sets out the composition of the Group's portfolio of Lebanese treasury bills and Eurobonds as at 31 December 2019:

	As at 31 December 2019		
	In LBP LBP Billions	In FC USD Millions	Total LBP Billions
Ordinary treasury bills	1,269.29	842.92	2,539.99
Plus: Accrued interest on treasury bills	21.4	5.57	29.71
Additions	5.99	0.78	7.16
Deductions	(1.77)	(9.50)	(16.10)
Expected Credit Loss	(8.7)	(7.76)	(20.45)
Total	1,286.21	832.01	2,540.30

The average rate of return on Lebanese Pounds ordinary treasury bills subscribed by Credit Libanais SAL and amounting to LBP 1,208.28 billion stood at 7.24%. The overall yield on the Group's portfolio of treasury bills held in Lebanese Pounds aggregated to 7.28% at 31 December 2019, compared to 7.13% at the end of the preceding year. The average yield on Lebanese Government treasury bills issued in foreign currencies was 6.55% at 31 December 2019, compared to 6.77% at the end of the preceding year.

The following table sets out the composition of the Group's portfolio of Lebanese treasury bills and eurobonds, by maturity, as at 31 December 2019:

	As at 31 December 2019		
	In LBP LBP Billions	In FC USD Millions	Total LBP Billions
Less than 6 months	139	29.64	184
Between 7 and 12 months	155	4.51	162
Between 13 and 18 months	35	46.04	104
Between 19 and 24 months	38	4.12	44
Between 2 and 5 years	529	197.28	826
Over 5 years	373	561.33	1,220
Total Lebanese treasury bills	1,269.29	842.92	2,540

Investments and Marketable Securities

The Group held investments and marketable securities amounting to LBP 1,734.82 billion as at year-end 2019 compared to LBP 1,818.09 billion as at year-end 2018, reflecting a decrease of LBP 83.27 billion or 4.58%. All investments consisted of instruments and papers issued by Lebanese banks and prime local and international companies and are quoted in regulated financial markets.

The following table sets out the composition of the Group's portfolio of investments and marketable securities, by type of instrument, as at 31 December 2019:

	As at 31 December 2019		
	In LBP LBP Billions	In FC USD Millions	Total LBP Billions
Corporate Bonds & Other Sovereign Bonds	—	31.022	46.766
Debts Securities	—	7.997	12.055
Unquoted & quoted Equity Securities & Preferred Shares	4.405	34.254	56.044
Certificates of deposits issues by the Central Bank	1,161.678	304.001	1,619.960
Total investment and marketable securities	1,166.083	377.274	1,734.825

Average rate of return on bonds and certificates of deposit held in foreign currencies stood at 6.11% for the year ended 31 December 2019, compared to 6.04% for the year ended 31 December 2018.

Shareholders' Equity

Shareholders' equity is divided into core capital (Tier I) and supplementary capital (Tier II). Tier I capital comprises paid-up common share capital, reserves, retained earnings, and reserves for unspecified banking risks, less any unfavorable change in fair value of available-for-sale securities.

The following table sets out the composition of the Group's shareholders' equity as at 31 December 2019 and 2018, respectively:

	31/12/2019 LBP millions	31/12/2018 LBP millions	Percentage change
Shareholders' equity			
Share capital - common shares	257,400	257,400	0.00%
Share capital - preferred shares	11,000	11,000	0.00%
Share premium - preferred shares	139,750	139,750	0.00%
Shareholders Cash contribution to Capital	70,338	0	100.00%
Capital reserves	159,063	147,254	8.02%
Retained earnings	288,189	239,363	20.40%
Fair value reserve	(27,117)	356	-7717.13%
Other reserves	397,086	388,464	2.22%
Profit for the year	2,657	118,332	-97.75%
Subordinated debt issued	160,545	160,545	0.00%
Total equity attributable to equity holders of the Bank	1,458,911	1,462,464	-0.24%
Non-controlling interest	37,650	36,683	2.64%
Total equity	1,496,561	1,499,147	-0.17%

At 31 December 2014, the authorised and issued share capital comprised 23,400,000 ordinary shares with a nominal value of LBP 11,000. All shares rank equally with regards to the Bank's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time. All issued shares are fully paid.

In July 2013, the extraordinary general assembly of shareholders approved the issue of 1,000,000 perpetual non-cumulative preferred shares with a nominal value of LBP 11,000; increasing the share capital of the Bank from LBP 257,400 million to LBP 268,400 million, thus an increase of LBP 11,000 million. The share premium amounted to LBP 139,750 per share.

Holders of these shares receive a non-cumulative dividend at the Bank's discretion, or whenever dividends to ordinary shareholders are declared. They do not have the right to participate in any additional dividends declared for ordinary shareholders. These shares do not have voting rights.

Equity to assets ratio reached 9.02% as at 31 December 2019, compared to 8.45% at year-end 2018.

Capital Adequacy

During 2019, the Group conducted a quantitative impact study to assess the implications of the Basel III Accord on the shareholders' equity of the Group. The capital adequacy ratio stood at 8.86%, compared to 16.57% at year-end 2018.

Asset / Liability Management

The Group's consolidated balance sheet is structured in terms of percentage of total assets as shown in the table below at 31 December 2019 and 2018:

Assets as at 31 Dec.	2019	2018	Liabilities & Equity as at 31 Dec.	2019	2018
Cash and banks	44%	41%	Due to banks	11%	10%
Treasury bills and Eurobonds	15%	17%	Customer deposits	77%	78%
Marketable securities	10%	10%	Long-term liabilities	-	-
Net loans and advances	27%	28%	Other creditors and payables	3%	3%
Fixed assets	2%	2%	Shareholders' equity	9%	9%
Other debtors and receivables	2%	2%			
Total Assets	100%	100%	Total Liabilities and Equity	100%	100%

Results of Operations

Interest Income

The following table sets out the principal components of the Group's interest income, by amount and as a percentage change therein, for each of the years ended 31 December 2019 and 2018, respectively:

	31/12/2019 LBP millions	31/12/2018 LBP millions	Percentage change
Cash and Balances with Central Banks	590,106	394,264	49.67%
Balances with other banks and Financial institutions	14,140	14,337	-1.37%
Loans and Advances to Customers	346,852	337,438	2.79%
Financial Assets at Amortised cost	320,215	336,158	-4.74%
Financial Assets at Fair Value through OCI	11,186	13,979	-19.98%
Tax on interest income	(82,464)	(40,406)	-104.09%
Total	1,200,035	1,055,770	13.66%

Interest on Financial Assets at amortized cost represents interest earned primarily on Lebanese treasury bills and corporate Eurobonds. Lebanese treasury bills continued to comprise the substantial majority of the Group's portfolio of Financial Assets classified at amortized cost in 2019 and 2018.

The overall yield on the portfolio of Lebanese treasury bills held by the Group in Lebanese Pounds was 7.28% as at 31 December 2019, compared to 7.13% as at year-end 2018, and the average yield on Lebanese government Eurobonds issued in foreign currencies was 6.55% as at 31 December 2019 and 6.77% as at 31 December 2018.

Interest income on the Group's loans portfolio increased by 2.79% during the year 2019 primarily due to the market increase of interest rate on loans, boosted by an increase in the BRR in both LBP and USD currencies.

Accordingly, total interest income for the year ended 31 December 2019 increased by 13.66% compared to total interest income for the year ended 31 December 2018.

Interest Expense

The following table sets out the principal components of the Group's interest expense, by amount and as a percentage change therein, for each of the years ended 31 December 2019 and 2018, respectively:

	31/12/2019 LBP millions	31/12/2018 LBP millions	Percentage change
Loans and deposits from Central Bank of Lebanon	18,118	17,170	5.52%
Deposits from other banks and financial institutions.....	35,238	17,356	103.03%
Customer deposits	948,080	734,860	29.02%
Subordinated Debt Issued	11,682	10,112	15.53%
Subordinated notes	-	865	-100.00%
Total	1,013,118	780,363	29.83%

The Group's interest expense is principally comprised of interest paid on customer deposits, as these constitute the primary source of funding for the Group and aggregate to 77.53% of total assets at 31 December 2019. The total amount of interest paid on customer deposits increased in 2019, compared to 2018, by 29.02% despite the decrease in total Group's customer deposits by 7.16% as at 31 December 2019. This is due to the high yields paid in the Lebanese Market during 2019 to attract new deposits

Net Interest Income

The following table sets out the Group's net interest income and net interest margin for each of the years ended 31 December 2019 and 2018, respectively:

	31/12/2019 LBP millions	31/12/2018 LBP millions	Percentage change
Interest earned	1,200,035	1,055,770	13.66%
Interest paid	(1,013,118)	(780,363)	29.83%
Net interest income	186,917	275,407	-32.13%
Net interest margin (%)	1.13%	1.63%	

The Group's net interest income decreased by 32.13% in 2019 to LBP 186.92 billion for the year ended 31 December 2019 from LBP 275.41 billion for the year ended 31 December 2018 due to the Lebanese uprising and subsequent government collapses as well as the global economic downturn and the regional turmoil.

Non-interest income

The following table sets out the Group's non-interest income deriving from commissions, fees and other operating income for each of the years ended 31 December 2019 and 2018, respectively:

	31/12/2019 LBP millions	31/12/2018 LBP millions	Percentage change
Fees and Commissions income	129,642	128,405	0.96%
Fees and Commissions expense	(74,348)	(64,036)	16.10%
Net Commissions	55,294	64,369	-14.10%
Net trading income	922	14,278	-93.54%
Net gain on financial assets at amortised cost	1,318	1,282	2.81%
Other operating income	2,768	2,197	25.99%
Share of profit of investments in equity accounted investees	1,340	1,906	-29.70%
Total Non-interest Income	61,642	84,032	-26.64%

Total net commissions, decreased by 14.10% to LBP 55.29 billion for the year ended 31 December 2019, compared to LBP 64.37 billion for the year ended 31 December 2018. Net commissions, consisting primarily of commissions and fees on accounts, fees for issuances of letters of credit and letters of guarantee, origination and commitment fees on loans and transaction-processing, development of retail services, electronic banking products and other non-interest generated revenues such as fees from its plastic card businesses, including the sponsoring and processing of debit and charge cards such as Visa, MasterCard and Amex, the processing of transactions made through its network of point-of-sale ("POS") terminals installed at different locations throughout the country and the cross-selling of related financial services, including bancassurance products through the Group's insurance subsidiary Credit Libanais d'Assurances (CLA).

Net gain on Trading and Financial Investments amounted to LBP 2.24 billion in 2019, compared to LBP 15.56 billion in the preceding year.

The Group's non-interest income decreased by 26.64% to LBP 61.64 billion at 31 December 2019, from LBP 84.03 billion at the end of the preceding year. It contributed to 28.11% of the Group's net financial income at 31 December 2019, compared to 23.71% at 31 December 2018.

Net Operating Income

The group increased the provisions allocated for loan losses by 30.48% at 2019. Allowances for Expected Credit losses amounted to LBP 15.84 billion for the year ended 31 December 2019, compared to LBP 12.14 billion for the preceding year.

As a result of the combined effects of the foregoing, the Group's net financial income for the year ended 31 December 2019 amounted to LBP 217.93 billion, compared to LBP 352.50 billion for the year ended 31 December 2018, reflecting a year-on-year decrease of 38.18%.

Other operating income is the result of activities and operations incurred by the Group outside the normal course of banking business. It is constituted of Income received on sale of assets held in recovery of bad debts, rental income and other income. It increased to an amount of LBP 2.77 billion for the year ended 31 December 2019, compared to LBP 2.20 billion for the year ended 31 December 2018.

Staff Expenses and Related Charges

The following table sets out the principal components of the Group's staff expenses and related charges for each of the years ended 31 December 2019 and 2018, respectively:

	31/12/2019 LBP millions	31/12/2018 LBP millions	Percentage change
Wages and salaries	84,614	88,814	-4.73%
Compulsory social security obligations	11,953	12,719	-6.02%
Employee benefits obligation	5,771	5,310	8.68%
Board of Directors attendance fees	2,877	2,697	6.67%
Other personnel expenses	18,875	17,785	6.13%
Total staff expenses and related charges	124,090	127,325	-2.54%

Total staff expenses and related charges amounted to LBP 124.09 billion for the year ended 31 December 2019, compared to LBP 127.33 billion for the year ended 31 December 2018, reflecting a year-on-year decrease of 2.54%.

General Operating Expenses

The following table sets out the principal components of the Group's general operating expenses for the years ended 31 December 2019 and 2018, respectively:

	31/12/2019 LBP millions	31/12/2018 LBP millions	Percentage change
Taxes	8,246	7,251	13.72%
Premiums for the guarantee of deposits	6,836	6,797	0.57%
Rental charges and related expenses	1,007	7,369	-86.33%
Lawyers, audit and consultancy fees	5,591	5,693	-1.79%
Information technology costs	4,366	4,693	-6.97%
Mail and telecommunication (PTT, Swift)	2,459	2,452	0.29%
Maintenance and repairs	3,581	3,548	0.93%
Electricity, water and heating	3,535	3,848	-8.13%
Travel and entertainment	619	538	15.06%
Transportation charges	2,784	2,540	9.61%
Insurance premiums	2,715	3,072	-11.62%
Advertising and public relations expenses	7,747	7,810	-0.81%
Computer maintenance and charges	2,838	3,674	-22.75%
Office stationery and printing	1,234	1,401	-11.92%
Board of directors attendance allowances	2,764	2,770	-0.22%
Training, documentation and services fees	704	551	27.77%
Other expenses	3,268	2,141	52.64%
Total general operating expenses	60,294	66,148	-8.85%

General operating expenses decreased by 8.85% to LBP 60.29 billion for the year ended 31 December 2019, compared to LBP 66.15 billion for the year ended 31 December 2018.

The Group's overall cost-to-income ratio increased to 82.77% as at 31 December 2019 from to 57.54% as at 31 December 2018.

Profit before Tax

The following table sets out the Group's pre-tax profit for the years ended 31 December 2019 and 2018, respectively:

	31/12/2019 LBP millions	31/12/2018 LBP millions	Percentage change
Profit before income tax	13,539	147,571	-90.83%
Income tax	(5,787)	(21,906)	-73.58%
Net profit for the year	7,752	125,665	-93.83%

The Group's pre-tax profits for the year 2019 amounted to LBP 13.54 billion (or the equivalent of US\$ 8.98 million), compared to LBP 147.57 (or the equivalent of US\$ 97.89 million) for the year 2018, a year-on-year decrease of 90.83%.

Return on shareholders' equity (before tax) stood at 1.03% at year-end 2019, compared to 12.02% at year-end 2018. Return on average assets stood at 0.08% at year-end 2019, compared to 0.82% at year-end 2018.

Profit Appropriation

The Group's consolidated profits for the year ended 31 December 2019 are generated from the following entities:

As at 31 December 2019	Profits Before Tax LBP millions	Income Tax LBP millions	Net Profits LBP millions
Loss from Credit Libanais SAL	3,581	(4,714)	(1,133)
Loss from Credit Libanais Investment Bank SAL	(0,164)	(0,500)	(0,664)
Profit from Credit International (Senegal)	2,244	(0,013)	2,231
Profit from Credilease SAL	0,305	(0,056)	0,249
Loss from Lebanese Islamic Bank SAL	0,045	(0,061)	(0,016)
Eliminations of the inter-group dividend distributions	(0,598)	—	(0,598)
Profits deriving from the Group's banking activities	5,413	(5,344)	0,069
Group's share in profits of subsidiaries and affiliated companies	8,126	(0,443)	7,683
Net profit for the year	13,539	(5,787)	7,752

Yours Sincerely,
Dr. Joseph Torbey
Chairman and General Manager



Beirut Central District
Lazareh Building Block 01 - 6th Floor
P.O.Box: 11-8270
Beirut - Lebanon
Tel: 961 1 985 501 / 502
Fax: 961 1 985 503



DFK FIDUCIAIRE DU MOYEN-ORIENT
A member firm of DFK International
DFK Fiduciaire du Moyen Orient
Sin El Fil - Fouad Chehab Blvd
Geahchan Bldg - 1st Floor
P.O.Box: 110-167
Beirut - Lebanon
Tel: 961 1 480917 / 723
Fax: 961 1 496682

Independent Auditors' Report

To the shareholders of Credit Libanais S.A.L.

Report on the Audit of the Consolidated Financial Statements

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Credit Libanais S.A.L. (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We do not express an opinion on the accompanying consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for Disclaimer of Opinion

1.

The Consolidated financial statements of the Group have been prepared on the assumption that the Group will continue as going concern. The application of the going concern basis is based on the assumption that the Group will be able to realise its assets and settle its liabilities in the normal course of business.

We were unable to obtain sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern assumption as management didn't make an assessment of the Group's ability to continue as a going concern. In the absence of information to determine the appropriate basis of accounting, we were unable to determine whether any adjustments to the financial statements might have been necessary in this regard.

Further, there is currently a high degree of uncertainty surrounding the Lebanese banking industry and the Lebanese economy as a whole arising from the following events and conditions:

- business disruption since the last quarter of 2019;
- a series of Lebanese sovereign credit risk downgrades which started to deteriorate from the last quarter of 2019 and reached a default credit risk rating (to category "RD") by all major rating agencies in March 2020, after years of a stable credit risk rating of "B" category;
- restrictions on the movement and withdrawal of funds in foreign currencies;
- the inability to transfer foreign currency funds outside Lebanon,
- the sharp fluctuation in foreign currency exchange rates and the creation of parallel foreign exchange markets with a wide range of price variances,
- subsequent to the reporting date, on March 7, 2020, the Lebanese Government announced its decision to default on 6.375% US\$1,200,000,000 bonds due March 9, 2020 and on all remaining outstanding maturities in foreign currencies;
- an announcement on March 23, 2020 by the Lebanese Government to discontinue payments on all of its US Dollar denominated Eurobonds;

- further deterioration in the market value of Lebanese Government bonds to junk status, resulting in the valuations of most Lebanese financial assets being adversely impacted; and
- prolonged inactivity in capital markets rendering markets illiquid.

As the situation is rapidly evolving, the effects of the default of the Lebanese Government along with the events and conditions mentioned above, has exposed the banking system to a significant degree of uncertainty, with the magnitude of the possible adverse effects on the Lebanese economy, the banking sector and the Group, currently unknown.

The situation described above indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. In the absence of any alternative evidence available to us, we have been unable to form a view as to the applicability of the going concern basis. The financial statements do not adequately disclose this matter.

Notwithstanding the above basis for a disclaimer of opinion, we identified the following departures from the requirements of IFRS that have a material and pervasive impact on the financial statements and would have otherwise resulted in an adverse auditor's opinion.

2.a

As described in Note 5 to the accompanying Consolidated financial statements, the Group has not applied adequately the impairment requirements in IFRS 9 "Financial Instruments" to recognise and measure loss allowances for expected credit losses ("ECL") as at 31 December 2019. The determination of loss allowances for ECL is usually subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probabilities of default, losses given default, exposures at default and discount rates, adjustments for forward-looking information and other adjustment factors. Management judgment is usually involved in the selection of appropriate parameters and assumptions and their application, which should be based on reasonable and supportable information about current and future economic conditions that is available without undue cost or effort at the reporting date. However, the Group has not made such determinations with respect to these matters as at 31 December 2019. In particular:

- There are financial assets measured at amortised cost or at fair value through other comprehensive income comprising of Lebanese Government debt securities, Balances with the Central Bank of Lebanon and balances with local banks and financial institutions denominated in foreign currencies amounting to LBP 7,479,962 million as at 31 December 2019 which the Group has not determined to be credit-impaired at that date but which, based on the audit evidence obtained, we considered to be credit-impaired at that date.
- Furthermore, the Group didn't take into account the facts, circumstances and available information to determine the appropriate credit staging of its loans and advances to customers and related parties amounting to LBP 4,456,367 million as at 31 December 2019 in performing its credit assessment. Instead, management has used key parameters and assumptions which do not reflect reasonable and supportable information about current and forecast conditions.

We believe that the Group's management has not recognised an appropriate impairment loss in relation to the Group's portfolios of the following financial assets measured at amortised cost and fair value through other comprehensive income: Lebanese Government debt securities, loans and advances to customers, and Central Bank of Lebanon and local Lebanese bank placements denominated in foreign currencies. Because the determination of loss allowances for ECL requires management to accumulate and analyse relevant data and to apply judgement, we were not able to obtain sufficient appropriate audit evidence about management's application of the IFRS 9 impairment requirements, including assessing the appropriateness of the key parameters and assumptions which included the identification of loss stages, and it was impracticable for us to determine the extent to which these Consolidated financial statements are misstated as a result of this matter.

In addition, interest income (net of tax) of LBP 1,200,035 million was recognised in the Consolidated statement of profit or loss and other comprehensive income, and accrued interest of LBP 152,465 million was included in the carrying amount of these financial assets in the Consolidated statement of financial position, based on the gross carrying amount of Lebanese Government debt securities, and Central Bank of Lebanon and local Lebanese bank placements, and loans and advances to customers and related parties. However, since most of these financial assets are credit impaired, interest income is calculated by applying the effective interest rate to the amortized cost of the asset which is net of impairment losses in accordance with IFRS 9).

With respect to the completeness and the reliability of disclosures in the financial statements, these do not provide for:

- all the disclosures required by IFRS 7, “Financial Instruments – Disclosures”, in particular on inputs, assumptions, judgements, sensitivity and the overall qualitative disclosures for managing credit risk;
- a reliable estimate of the fair value of these assets; and
- all the disclosures required by IFRS 13, “Fair Value Measurement”, in particular on inputs, assumptions, sensitivity and overall qualitative disclosures for the fair value determination of these assets.

It is not practicable for us to include these omitted disclosures.

2.b

The Group’s Consolidated statement of financial position as at 31 December 2019 includes investments in debt and equity securities in Lebanon accounted for at fair value through profit and loss and investments in equity securities in Lebanon accounted for at fair value through other comprehensive income, amounting respectively to LBP 9,662 million and LBP 38,396 million. The Lebanese markets have witnessed a significant decrease in levels of activity following the start of the crisis in October 2019. By year end, markets for these investments were not active and there were few, if any, transactions. The Group has measured the fair value of those investments using the unadjusted prices at 31 December 2019. However, (i) there is no evidence that transactions between market participants took place at those prices on or close to 31 December 2019 or that a market participant would have been able to sell at those prices and (ii) those prices are similar to those pertaining prior to the development of the crisis and do not appear to reflect market and economic conditions at 31 December 2019.

Therefore, based on the requirements of IFRS 13 “Fair Value Measurement”, the Group should have used a different valuation technique (or techniques) and additional inputs to measure the fair values of these investments at 31 December 2019 so as to reflect conditions at the reporting date. It was impracticable for us to determine the extent to which these financial statements are misstated as a result of this matter.

In addition, disclosures required by IFRS 13, in particular with respect to inputs, assumptions, sensitivity and overall qualitative disclosures for the fair value determination are not included in the consolidated financial statements.

2.c

The Group’s Consolidated financial position includes property and equipment, intangible assets and right of use assets amounting to LBP 273,527 million as at 31 December 2019 which the Group has not reviewed for impairment as required by IAS 36 “Impairment of Assets” to determine whether a write down should be applied to these assets recorded in the Consolidated statement of financial position as at 31 December 2019. In the absence of information to assess the recoverability of these assets, we were unable to determine whether any adjustments might have been necessary in respect of the property and equipment, intangible assets and right of use assets in the Consolidated statement of financial position as at 31 December 2019 and the loss for the year reported in the Consolidated statement of profit or loss and other comprehensive income for the year then ended.

2.d

The Group’s Consolidated statement of financial position includes assets held for sale amounting to LBP 54,973 million as at 31 December 2019. As per IFRS 5 “Non-Current Assets Held for Sale and Discontinued Operations”, these assets should be measured at the lower of carrying amount or fair value less cost to sell. We were not provided by management with the calculation of fair value less cost to sell in relation to these assets. In the absence of information to assess the measurement of these assets,

we were unable to determine whether any adjustments might be necessary in respect to assets held for sale in the Consolidated statement of financial position as at 31 December 2019 and the loss for the year reported in the Consolidated statement of profit or loss and other comprehensive income for the year then ended.

Responsibilities of the Board of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Board of directors and those charged with governance (referred to hereafter as “management”) are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Group’s consolidated financial statements in accordance with International Standards on Auditing and to issue an auditors’ report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group 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 Code of Ethics of the Lebanese Association of Certified Public Accountants that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Report on other legal and regulatory requirements

We draw attention to the fact that the matters raised in the Basis for disclaimer of opinion section above may have implications on the Bank’s compliance with the requirements of the Lebanese Code of Commerce and the applicable banking regulations.


9 September 2020
Beirut, Lebanon
KPMG


DFK Fiduciaire du Moyen-Orient

Consolidated Statement of financial position

as at 31 December

<i>In Millions of Lebanese Pound</i>	Note	2019	2018
Assets			
Cash and balances with Central Banks	7	6,798,293	6,404,700
Balances with other banks and financial institutions	8	509,976	922,368
Loans and advances to customers	9	4,441,868	4,964,187
Loans and advances to related parties	40	14,499	17,003
Debtors by acceptances		125,557	238,958
Financial assets at fair value through other comprehensive income	10	132,239	161,104
Financial assets at fair value through profit or loss	11	9,662	12,117
Financial assets at amortised cost	12	4,133,227	4,616,739
Investments in equity-accounted investees	13	16,112	16,849
Property and equipment	14	235,449	236,570
Intangible assets	15	8,422	9,288
Assets held for sale	16	54,973	55,680
Right-of-use assets	41	29,656	–
Other assets	17	79,532	78,882
Total assets		16,589,465	17,734,445
Liabilities			
Loans and deposits from Central Banks	18	1,240,140	1,299,987
Deposits from other banks and financial institutions	19	528,243	549,390
Deposits from customers	20	12,639,613	13,519,433
Deposits from related parties	40	222,446	334,852
Engagements by acceptances		125,586	238,981
Subordinated debt issued	21	160,545	160,545
Tax liabilities	22	42,919	46,519
Lease liabilities	41	28,127	–
Other liabilities	23	197,283	189,507
Provisions for risks and charges	24	68,547	56,629
Total liabilities		15,253,449	16,395,843

<i>In Millions of Lebanese Pound</i>	Note	2019	2018
Shareholders' equity			
Share capital - common shares	25	257,400	257,400
Share capital - preferred shares	25	11,000	11,000
Share premium - preferred shares	25	139,750	139,750
Shareholders' cash contribution to capital	25	70,338	–
Capital reserves	26	159,063	147,254
Retained earnings		288,189	239,363
Fair value reserve	27	(27,117)	356
Other reserves	28	397,086	388,464
Profit for the year		2,657	118,332
Total equity attributable to equity holders of the Bank		1,298,366	1,301,919
Non-controlling interest		37,650	36,683
Total equity		1,336,016	1,338,602
Total liabilities and equity		16,589,465	17,734,445

The notes on pages 106 to 181 are an integral part of these consolidated financial statements.

The consolidated financial statements were approved on behalf of the Board of Directors on 27 August 2020.

Consolidated statement of profit or loss and other comprehensive income

as at 31 December

<i>In Millions of Lebanese Pound</i>	Note	2019	2018
Interest income, net of tax	29	1,200,035	1,055,770
Interest expense	29	(1,013,118)	(780,363)
Net interest income		186,917	275,407
Fee and commission income	30	129,642	128,405
Fee and commission expense	30	(74,348)	(64,036)
Net fee and commission income		55,294	64,369
Net trading income	31	922	14,278
Net gain on financial assets at amortised cost	32	1,318	1,282
Other income		2,768	2,197
Total operating income		247,219	357,533
Net impairment on financial assets	33	(29,287)	(5,029)
Net operating income		217,932	352,504
Personnel expenses	34	(124,090)	(127,325)
Depreciation and amortisation	14, 15	(13,042)	(13,073)
Other provision		(293)	(293)
Other expenses	35	(60,294)	(66,148)
Interest expense - lease liabilities	41	(2,418)	-
Depreciation on right-of-use assets	41	(5,596)	-
Total operating expenses		(205,733)	(206,839)
Share of profit of investments in equity-accounted investees	13	1,340	1,906
Profit before income tax		13,539	147,571
Tax expense	36	(5,787)	(21,906)
Profit for the year		7,752	125,665
Other comprehensive (loss) / income, net of tax			
Items that will not be reclassified to profit or loss			
Fair value reserve (financial assets at fair value through other comprehensive income)			
Net change in fair value	27	(27,473)	20,099
Other comprehensive (loss) / income for the year, net of tax		(27,473)	20,099
Total comprehensive (loss) / income for the year		(19,721)	145,764
Profit attributable to:			
Equity holders of the Bank		2,657	118,332
Non-controlling interest		5,095	7,333
Profit for the year		7,752	125,665
Total comprehensive (loss) / income attributable to:			
Equity holders of the Bank		(24,816)	138,431
Non-controlling interest		5,095	7,333
Total comprehensive (loss) / income for the year		(19,721)	145,764

The notes on pages 106 to 181 are an integral part of these separate financial statements.

Consolidated Statement of Changes in Equity

as at 31 December 2019

<i>In Millions of Lebanese Pound</i>	Note	Share capital- common Shares	Share capital- preferred Shares	Share Premium- preferred Shares	Shareholders' Cash contribution to capital	Capital Reserves	Retained Earnings	Fair Value Reserve	Other Reserves	Profit for the Year	Total	Non-controlling interest	Total Equity
Balance at 1 January 2019	25, 26, 27 & 28	257,400	11,000	139,750	–	147,254	239,363	356	388,464	118,332	1,301,919	36,683	1,338,602
Total comprehensive income for the year													
Profit for the year		–	–	–	–	–	–	–	–	2,657	2,657	5,095	7,752
Other comprehensive (loss)													
Net change in fair value of financial assets at fair value through other comprehensive loss	27	–	–	–	–	–	–	(27,473)	–	–	(27,473)	–	(27,473)
Total other comprehensive loss		–	–	–	–	–	–	(27,473)	–	–	(27,473)	–	(27,473)
Total comprehensive loss		–	–	–	–	–	–	(27,473)	–	2,657	(24,816)	5,095	(19,721)
Transactions with owners recorded directly in equity													
Contributions by and distributions to owners of the Bank													
Transfer to retained earnings		–	–	–	–	–	118,334	–	–	(118,332)	2	–	2
Transfer to reserves		–	–	–	–	11,831	(13,781)	–	2,106	–	156	(156)	–
Dividend to preferred shareholders	25	–	–	–	–	–	(11,081)	–	–	–	(11,081)	–	(11,081)
Dividends to common shareholders	25	–	–	–	–	–	(42,868)	–	7,136	–	(35,732)	(3,798)	(39,530)
Shareholders' cash contribution to capital	25	–	–	–	70,338	–	–	–	–	–	70,338	–	70,338
Prior year adjustment		–	–	–	–	(22)	744	–	(2)	–	720	–	720
Participation CLA in CL		–	–	–	–	–	–	–	(863)	–	(863)	–	(863)
Allowances to directors		–	–	–	–	–	(2,540)	–	–	–	(2,540)	(174)	(2,714)
Translation difference		–	–	–	–	–	18	–	245	–	263	–	263
Total contributions by and distributions to owners of the Bank		–	–	–	70,338	11,809	48,826	–	8,622	(118,332)	21,263	(4,128)	17,135
Total transactions with owners recorded directly in equity		–	–	–	70,338	11,809	48,826	–	8,622	(118,332)	21,263	(4,128)	17,135
Balance at 31 December 2019		257,400	11,000	139,750	70,338	159,063	288,189	(27,117)	397,086	2,657	1,298,366	37,650	1,336,016

The notes on pages 106 to 181 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

as at 31 December 2018

<i>In Millions of Lebanese Pound</i>	Note	Share capital- common Shares	Share capital- preferred Shares		Share Premium- preferred Shares	Capital Reserves	Retained Earnings	Fair Value Reserve	Other Reserves	Profit for the Year	Total	Non-controlling interest	Total Equity
Balance at 1 January 2018	25, 26, 27 & 28	257,400	11,000		139,750	260,455	130,284	52,411	272,187	116,249	1,239,736	33,327	1,273,063
Adjustment on initial application of IFRS 9, net of tax		-	-		-	-	-	(9,184)	(9,045)	-	(18,229)	-	(18,229)
Restated balance at 1 January 2018		257,400	11,000		139,750	260,455	130,284	43,227	263,142	116,249	1,221,507	33,327	1,254,834
Total comprehensive income for the year													
Profit for the year		-	-		-	-	-	-	-	118,332	118,332	7,333	125,665
Other comprehensive income, net of tax													
Net change in fair value of financial assets at fair value through other comprehensive income	27	-	-		-	-	-	20,099	-	-	20,099	-	20,099
Total other comprehensive income		-	-		-	-	-	20,099	-	-	20,099	-	20,099
Total comprehensive income for the year		-	-		-	-	-	20,099	-	118,332	138,431	7,333	145,764
Transactions with owners recorded directly in equity													
Contributions by and distributions to owners of the Bank													
Transfer to retained earnings		-	-		-	(798)	116,249	-	798	(116,249)	-	-	-
Transfer to reserves		-	-		-	(112,426)	(10,443)	-	122,872	-	3	(3)	-
Profit from sale of shares in SWIFT		-	-		-	23	-	-	-	-	23	-	23
Sale of Visa Class "C"	27	-	-		-	-	62,970	(62,970)	-	-	-	-	-
Dividend to preferred shareholders	25	-	-		-	-	(11,080)	-	-	-	(11,080)	-	(11,080)
Dividends to common shareholders	25	-	-		-	-	(44,351)	-	8,346	-	(36,005)	(3,799)	(39,804)
Tax on dividends		-	-		-	-	(920)	-	-	-	(920)	-	(920)
Other movements		-	-		-	-	(806)	-	-	-	(806)	-	(806)
Investment of Credit Libanais D'Assurances et de Reassurance SAL in Credit Libanais SAL		-	-		-	-	-	-	(7,462)	-	(7,462)	-	(7,462)
Share of profit related to the participation of the Group in equity-accounted investees		-	-		-	-	-	-	813	-	813	-	813
Allowances to directors		-	-		-	-	(2,540)	-	-	-	(2,540)	(175)	(2,715)
Translation difference		-	-		-	-	-	-	(45)	-	(45)	-	(45)
Total contributions by and distributions to owners of the Bank		-	-		-	(113,201)	109,079	(62,970)	125,322	(116,249)	(58,019)	(3,977)	(61,996)
Total transactions with owners recorded directly in equity		-	-		-	(113,201)	109,079	(62,970)	125,322	(116,249)	(58,019)	(3,977)	(61,996)
Balance at 31 December 2018		257,400	11,000		139,750	147,254	239,363	356	388,464	118,332	1,301,919	36,683	1,338,602

The notes on pages 106 to 181 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

as at 31 December

<i>In Millions of Lebanese Pound</i>	Note	2019	2018
Cash flows from operating activities			
Profit for the year		7,752	125,665
Adjustments for:			
- Depreciation and amortisation	14,15,41	18,638	13,073
- Net impairment loss on financial assets	33	30,707	5,029
- Net interest income	29	(186,917)	(275,407)
"- Impairment losses on equity unquoted securities at fair value through profit or loss"	11	-	-
- Interest expense on lease liability		2,418	-
- Net gain on sale of property and equipment		-	(8)
- Net gain on assets held for sale		-	(140)
- Other equity movements		720	(806)
- Tax expense	36	5,787	21,906
- Share of profit of investments in equity-accounted investees		737	123
		(120,158)	(110,565)
Changes in:			
- Cash and balances with Central Banks		(678,743)	(1,059,726)
- Balances with other banks and financial institutions		(1,737)	11,045
- Loans and advances to customers		513,116	89,096
- Loans and advances to related parties		2,070	(2,133)
- Other assets		(7,626)	38,253
- Loans and deposits from Central banks		(73,978)	131,979
- Deposits from other banks and financial institutions		(4,884)	316,355
- Deposits from customers		(899,676)	(188,537)
- Deposits from related parties		(111,305)	(2,068)
- Subordinated debts		-	(113,063)
- Other liabilities		7,776	(127,434)
- Provisions for risks and charges		11,667	185,039
		(1,363,478)	(831,759)
Interest received		1,183,611	969,407
Interest paid		(992,767)	(750,093)
Income taxes paid		(9,387)	(9,146)

<i>In Millions of Lebanese Pound</i>	Note	2019	2018
Net cash used in operating activities		(1,182,021)	(621,591)
Cash flows from investing activities			
Net change in investment securities		454,583	279,399
Proceeds from sale of Visa Class "C", net of tax		-	68,795
Sale of Visa Class "C"		-	(5,823)
Acquisition of property and equipment		(8,245)	(8,299)
Proceeds from the sale of property and equipment		-	8
Acquisition of intangible assets		(2,804)	(2,242)
Proceeds from the sale of intangible assets		(6)	-
Investment of Credit Libanais d'Assurances et de Reassurance SAL in Credit Libanais SAL		(863)	(7,462)
Share of profit related to the participation of the Group in equity-accounted investees		-	813
Acquisition of assets held for sale		-	(1,662)
Proceeds from sale of assets held for sale		707	1,293
Net cash from investing activities		443,372	324,820
Cash flows from financing activities			
Shareholders' cash contribution to capital	25	70,338	-
Payment of lease liability		(2,775)	-
Dividends paid and allowance to directors		(53,325)	(54,519)
Issuance of subordinated debt		-	150,750
Net cash from financing activities		14,238	96,231
Net decrease in cash and cash equivalents	37	(724,411)	(200,540)
Cash and cash equivalents at 1 January		1,423,679	1,624,264
Effect of exchange rate fluctuations on cash and cash equivalents held		263	(45)
Cash and cash equivalents at 31 December		699,531	1,423,679

The notes on pages 106 to 181 are an integral part of these separate financial statements.

As at 31 December 2019

1. Reporting entity and macro-economic environment

Credit Libanais S.A.L. (the "Bank" or the "Group") is a Lebanese joint stock Company registered since 1961 in Lebanon under no. 10742 in the Beirut register of Commerce, and under no. 53 on the Banks list at the Central Bank of Lebanon. The address of the Bank's registered office is Achrafieh, Corniche El Nahr-Adlieh, Credit Libanais Headquarter Building, Beirut, Lebanon. The consolidated financial statements of the Bank as at and for the year ended 31 December 2019 comprise the financial statements of the Bank and those of its subsidiaries (together referred to as the Group and individually as Group entities). The Group is primarily involved in retail, commercial and investment banking activities through its headquarters as well as its branches and subsidiaries located in Lebanon, Cyprus, Bahrain, Iraq* and Senegal.

In addition to these consolidated financial statements, the Bank produces separate financial statements in compliance with International Financial Reporting Standards (IFRS). These financial statements can be obtained from the Bank's premises.

Lebanon is experiencing a severe financial crisis that is impacting the banking sector and the economic and business environment more generally. The impact includes a significant public debt burden (above 150% of GDP), high interest rates, a level of country risk that is far above normal and increasing unemployment. This has created liquidity pressures in most businesses. The crisis also led to the resignation of the Council of Ministers of Lebanon on 29 October 2019. A new Government was formed on 21 January 2020 which has begun to focus on urgent measures including the settlement of Eurobonds and requested the technical assistance of the International Monetary Fund.

Lebanon's sovereign debt amounted approximately to USD 91 billion as at 31 December 2019 which consisted of LBP debt of approximately 62% and USD Eurobonds of 38% of the total debt. All LBP debt is held by Lebanese banks and the Central Bank and only approximately a third of USD debt is held by foreign funds and financial institutions of Lebanon, the remaining USD debt is held by either Lebanese banks or the Central Bank of Lebanon.

International credit rating agencies have downgraded Lebanon's sovereign credit rating to imminent default and the rating of three commercial banks to selective default. Banks were downgraded as a result of the Central Bank of Lebanon requiring, on an exceptional basis, the settlement of interest on USD denominated deposits 50% in USD and 50% in LBP over the six months from 4 December 2019. On 7 March 2020, the Prime Minister of Lebanon officially declared that the government will not be in a position to settle the Eurobonds due on 9 March 2020, which is considered as an event of default. Accordingly, rating agencies have downgraded Lebanon's sovereign credit rating to selective default.

Banks in Lebanon have restricted access to USD and have frozen companies credit facilities, which has in turn created significant liquidity pressure. Banks have implemented their own foreign exchange controls that prohibit USD transfers outside Lebanon and limit the amount of USD that may be withdrawn from accounts. Goods and services can be purchased using payment cards and cheques within the country, but companies have very limited ability to withdraw cash or transfer foreign currency outside Lebanon, with the exception of companies that import essential goods.

*Closed in 2020.

The financial crisis and in particular the difficulty of accessing foreign currency and credit have created significant liquidity pressure for businesses in Lebanon. This has in turn led to:

- a general slowdown in economic activity leading to a significant increase in credit risk;
- expected increase in actual and expected credit losses;
- some companies not being able to settle their bank facilities when due;
- decrease in new facilities granted and in customers' deposits;
- increased cost in connection with obtaining hard currency; and
- uncertainty about whether some entities and Banks can continue as a going concern.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS standards.

This is the first set of the Group's annual financial statements in which IFRS 16 Leases has been applied. The related changes to significant accounting policies are described in Note 4.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the consolidated statement of financial position:

- financial instruments at fair value through other comprehensive income are measured at fair value; and
- financial instruments at fair value through profit or loss are measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in Lebanese Pounds (LBP), which is the Group's functional currency. All amounts have been rounded to the nearest million, except when otherwise indicated.

(d) Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(i) Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes.

Note 5 (b): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

Note 3 (a): determination of control over investee.

Note 3 (i) (ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

Note 3 (g): Lease term: whether the Group is reasonably certain to exercise extension options.

(ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2019 is included in the following notes.

Note 5 (b) and Note 3 (i) (vii): impairment of financial instruments: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.

Note 6: measurement of the fair value of financial instruments with significant unobservable inputs.

Note 39: recognition and measurement of contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

3. Significant accounting policies

Except for the changes explained in Note 4, the Group has consistently applied the following accounting policies to all years presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Non-controlling interests

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iii) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the operations at the exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date.

The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest, impairment and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of financial assets at fair value through other comprehensive income are recognised in other comprehensive income (see Note 11).

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into LBP at the spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into LBP at the exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income and accumulated in other reserves, except to the extent that the translation difference is allocated to NCI. When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative amount is reattributed to NCI.

(c) Interest

(i) Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

(ii) Amortized cost and gross carrying amount

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

(i) Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the 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.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 3 (i) (vii).

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- interest on financial assets and financial liabilities measured at amortised cost;
- interest on debt instruments measured at FVOCI.

Interest expense presented in the statement of profit or loss and OCI includes financial liabilities measured at amortised cost.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income (see Note 3 (e)).

(d) Fee and commission

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate (see Note 3 (c)).

If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Other fee and commission income – including account servicing fees, investment management fees, sales commission and placement fees are recognised as the related services are performed.

A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(e) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all fair value changes, interest, dividends and foreign exchange differences.

(f) Dividend income

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for quoted equity securities. Dividends are presented in net trading income.

Dividends on equity instruments designated as at FVOCI that clearly represent a recovery of part of the cost of the investment are presented in OCI.

(g) Leases

Group acting as a lessee - Operating leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into (or change) on or after 1 January 2019.

i. Group acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of branches and office premises the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The Group determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use

Short-term leases and leases of low-values assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-values assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. Group acting as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices. When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use asset.

i. As a lessee

The Group did not have any finance leases under IAS 17.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

ii. As a lessor

When the Group acted as a lessor, it determined at a lease inception whether each lease was a finance lease or an operating lease. To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

(h) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable on the taxable income or loss for the year and any adjustment to tax payable in respect of previous years. The amount of current tax payable is the best estimate of the tax to be paid that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Additional taxes that arise from the distribution of dividends by the Group are recognised at the same time as the liability to pay the related dividend is recognised. These amounts are generally recognised in profit or loss because they generally relate to income arising from transactions that were originally in profit or loss.

(i) Financial assets and financial liabilities

(i) Recognition and initial measurement

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price.

(ii) Classification

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI - see Note 3 (m). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Group's retail and corporate banking business comprises primarily loans to customers that are held for collecting contractual cash flows. In the retail business the loans comprises mortgages, overdrafts, unsecured personal lending and credit card facilities. Sales of loans from these portfolios is very rare.

Certain debt securities are held by the Group in a separate portfolio for long-term yield. These securities may be sold, but such sales are not expected to be more than infrequent.

The Group considers that these securities are held within a business model whose objective is to hold assets to collect contractual cash flows.

Certain other debt securities are held by the Group in separate portfolios to meet everyday liquidity needs. The Group seeks to minimise the costs of managing these liquidity needs and therefore actively manages the return on the portfolio. That return consists of collecting contractual cash flows as well as gains and losses from the sale of financial assets. The investment strategy often results in sales activity that is significant in value. The Group considers that these financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Certain debt securities held by the Group are managed with an objective of realising cash flows through sale. The Group primarily focuses on the fair value information and uses that information to assess the asset's performance and to make decisions.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Financial liabilities

The Group classifies its financial liabilities as measured at amortised cost.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire (see also iv), or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Any cumulative gain/loss recognised in other comprehensive income in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities as explained in Note 3 (m). Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

(iv) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Group 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 derecognised (see (iii)) and a new financial asset is recognised 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.

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 Group 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 for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises 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 (see Note 3 i (vii)), 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 (see Note 3 (c)).

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

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 recognised 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 recognised 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.

(v) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(vi) Fair value measurement

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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vii) Impairment

See also Note 5 (b).

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of investment grade. The Group does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit impaired.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired. Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as Stage 3 financial instruments.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured 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 Group in accordance with the contract and the cash flows that the Group expects to receive);
- 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 Group in accordance with the contract and the cash flows that the Group 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. Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as Stage 3 financial instruments.
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover. See also Note 5 (b).

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see (iv)) and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset (see Note 5).
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- days past due greater than 90 days (mortgage);
- days past due greater than 120 days (non-mortgage);
- exposures in default due to isImpDefault flag (impairment default flag);

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days (mortgage) and 120 (non-mortgage) or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

- when payments on obligation is a virtual certainty;
- when payments on an obligation are not made on the due date
- downgrade of mapped external rating credit rating to CC or below; or
- the issuer files a bankruptcy petition or takes a similar action.

Presentation of allowance for ECL in the statement of financial position

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

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

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'Net impairment on financial assets' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(viii) Designation at fair value through profit or loss

Financial assets

At initial recognition, the Group has designated certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

Before 1 January 2018, the Group also designated certain financial assets as at FVTPL because the assets were managed, evaluated and reported internally on a fair value basis.

Note 6 sets out the amount of each class of financial asset that has been designated as at FVTPL. A description of the basis for each designation is set out in the note for the relevant asset class.

Financial liabilities

The Group designates financial liabilities as at FVTPL in either of the following circumstances:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(k) Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term or holds as part of a portfolio that is managed together for short-term profit or position taking. Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position, with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss.

(l) Loans and advances

Loans and advances captions in the statement of financial position include loans and advances measured at amortised cost (see Note 3 (i) (ii)); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Group's financial statements.

(m) Investment securities

The investment securities caption in the statement of financial position includes:

- debt investment securities measured at amortised cost (see Note 3 (i) (ii)); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL (see Note 3 (i) (ii)); these are at fair value with changes recognised immediately in profit or loss;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Fair value gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss (see Note 3 i (ii)) unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

(n) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognised within other income/other expenses in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Items of property and equipment are depreciated from the date they are available for use. Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is recognised in profit or loss.

The estimated useful lives of significant items of property and equipment are as follows:

buildings	50 years
installations and improvements	16.67 years
furniture and equipment	12.5 years
vehicles	10 years
power generators	12.5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(o) Intangible assets

Software and licenses

Software and licenses acquired by the Group are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets and licenses are capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software and licenses are amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is three to ten years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(p) Assets held for sale

Properties acquired through the enforcement of security over loans and advances to customers are accounted for in accordance with the directives issued by the Banking Regulators. These assets are initially measured at fair value at the date of enforcement of the security. A reserve is constituted for assets not disposed of within two years of the date of enforcement at a rate of 20% or 5%, depending on the date the related loan was granted. Reserves ratio for assets acquired in connection with loans granted before 30 June 2003 and in accordance with the Central Bank intermediary circular No. 41 and its amendments is 20%, whereas reserves ratio for assets acquired in connection with loans after 30 June 2003 is 5%. The accumulated reserve is classified under "Other reserves" in equity.

(q) Impairment of non-financial assets

The Group 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 Group 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 multiple, 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 recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised in the income statement.

(r) Deposits, debt securities issued and subordinated debt issued

Deposits, debt securities issued and subordinated debt issued are the Group's sources of debt funding.

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Group's redeemable preference shares bear non-discretionary coupons and are redeemable at the option of the holder, and are therefore included within subordinated liabilities.

Deposits, debt securities issued and subordinated debt issued are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(s) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined using management's best estimates to the risk specific to the liability.

(t) Financial guarantees and loan commitments

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 (see Note 3 i (vii)) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The Group has issued no loan commitments that are measured at FVTPL.

Liabilities arising from financial guarantees and loan commitments are included within provisions.

(u) Share capital and reserves

(i) Preference shares

The Group classifies instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Group's preference shares are not redeemable by holders and bear an entitlement to distributions that is non-cumulative and at the discretion of the board of directors. Accordingly, they are presented as a component of issued capital within equity. Distributions thereon are recognised in equity.

(ii) Share issue costs

Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(iii) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Group's shareholders.

On 4 November 2019, BDL issued a circular 532 Capital Adequacy Regulatory Framework for Banks Operating in Lebanon in which it states that banks are required to not distribute dividends for the fiscal year 2019.

(v) Deferred restricted contributions

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

(w) Standards issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements.

The following amended standards are not expected to have a significant impact on the Group's separate financial statements:

- Amendments to References to Conceptual Framework in IFRS standards
- Definition of a Business (Amendments to IFRS 3)
- IFRS 17 Insurance Contracts.

4. Changes in accounting policies

The Bank initially applied IFRS 16 Leases from 1 January 2019. A number of other new standards are also effective from 1 January but they do not have a material effect on the Group's consolidated financial statements.

IFRS 16 Leases

The Group applied IFRS 16 using the modified retrospective approach, where right-of-use asset is equal to the lease liability as at the adoption date. Therefore, there is no cumulative effect of adopting IFRS 16 as an adjustment to the opening balance of retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

(i) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3 (g).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16.

(ii) As a lessee

As a lessee, the Group leases branch and office premises. The Group previously classified these leases as operating leases under IAS 17 based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for leases of branch and office premises – i.e. these leases are on-balance sheet.

Further, the Group has not entered into any new leases during the year ended 31 December 2019.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

However, for leases of branches and office premises the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at 1 January 2019 (see Note 4 (iii)).

Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee’s incremental borrowing rate at the date of initial application.

The Group used a number of practical expedients when applying IFRS 16 to lease previously classified as operating leases under IAS 17. In particular, the Group:

- relied on its assessment of whether leases are onerous under IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review;
- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low-value assets;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

(iii) Impact on financial statements

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarized below:

<i>In Millions of Lebanese Pound</i>	01-Jan-19
Right-of-use assets	35,252
Lease liabilities	28,484
Prepayments (included under trade and other receivables)	6,768

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 8.57%.

5. Financial risk management

(a) Introduction and overview

The Group has exposure to the following risks from financial instruments:

- credit risk;
- liquidity risk;
- market risk; and
- operational risk.

This note presents information about the Group’s exposure to each of the above risks, the Group’s objectives, policies and processes for measuring and managing risk, and the Group’s management of capital.

Risk management framework

The Group’s Board of Directors has overall responsibility for the establishment and oversight of the Group’s risk management framework. The Board of Directors has established the Board Risk Committee, the Board Credit Policy Committee and at the management level, the Asset and Liability Management Committee (ALCO), which are responsible for developing and monitoring Group risk management policies.

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

The Board Risk Committee, the Credit Policy Committee and the Asset Liability Management Committee (ALCO) oversee how management monitors compliance with the Group’s risk management policies and procedures, and review the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group’s loans and advances to customers and other banks, and investment in debt securities. For risk management reporting purposes the Group considers and consolidates all elements of credit risk exposure.

For risk management purposes, credit risk arising on trading assets is managed independently by the market risk management function. The overall objective of managing market risk is to avoid unexpected losses due to changes in market prices and to optimise the use of market risk capital. The Group manages these potential exposures on a daily basis within predefined limits for each of the major types of market risk established within the Group’s policies and commensurate with the risk appetite defined by the Board of Directors.

Settlement risk

The Group is also exposed to settlement risk in its dealings with other financial institutions. This risk arises when the Bank pays its side of the transaction to the other bank or counterparty before receiving payment from the third party. The risk is that the third party may not pay its obligation. While these exposures are short in duration but they can be significant. The risk is mitigated by dealing with highly rated counterparties, holding collateral and limiting the size of the exposures according to the risk rating of the counterparty.

Management of credit risk

The Board of Directors has delegated responsibility for the oversight of credit risk to its Risk Management Committee, Credit Policy Committee and allocated Credit Committees. An independent Credit Risk Management function, reporting to the Chief Risk Officer (CRO), is responsible for management of the Group's credit risk, including:

- Formulating credit policies covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities.
- Reviewing and assessing credit risk. The Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and sectors. The Group's approach to controlling this concentration of exposure is by the diversification of its commitments and by setting limits at level of aggregate of products, economic sectors, region and segments.
- Developing and maintaining the Group's credit risk rating system. This system is a summary indicator of the Group's individual credit exposure. An internal rating system categorises all credits into various classes on the basis of underlying credit quality. A well-structured credit rating framework is an important tool for monitoring and controlling risk inherent in individual credits as well as in credit portfolios of the Group or a business line. The importance of internal credit rating framework becomes more eminent due to the fact that historically major losses to banks stemmed from default in loan portfolios.

While the Group already has a system for rating individual credits in addition to the risk categories prescribed by the Central Bank of Lebanon, the Group established an internal rating framework. The internal rating framework benefits the Group in a number of ways such as: credit selection, amount of exposure, tenure and price of facility, frequency or intensity of monitoring, analysis of migration of deteriorating credits and more accurate computation of future loan loss provision; and deciding the level of approving authority of loan.

- Reviewing compliance with agreed exposure limits, including those for selected sectors, geography and product types. Regular reports on the credit quality of portfolios are provided to the Credit Policy Committee who may require appropriate corrective action to be taken.
- Providing advice, guidance and specialist skills to promote best practice throughout the Group in the management of credit risk.
- Conduct, approve and monitor the appropriate staging of the Bank's financial assets (including any upgrades or downgrades between stages) and compute the Expected Credit Losses (ECLs) of the Bank's Sovereign, Financial Sector, Lending and Financial Instruments portfolios, in line with IFRS 9 Requirements and local regulatory requirements.

Each Credit Officer is required to implement Group credit policies and procedures, with credit approval authorities delegated from the Group Credit Committee. Each Credit Officer reports on all credit related matters to management and the Group Credit Committee.

Each Credit Officer is responsible for the quality and performance of his/her credit portfolio and for monitoring and controlling all credit risks in his/her portfolios, including those subject to central approval.

Regular audits of Group Credit processes are undertaken by Internal Audit.

Credit quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost.

Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

For lending commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Explanation of the terms: "Stage 1", "Stage 2" and "Stage 3" is included in Note 3 i (vii).

In Millions of Lebanese Pound	2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
Balances with Central Banks					
Grade 1-2: Low fair risk	6,766,971	–	–	6,766,971	6,340,748
	6,766,971	–	–	6,766,971	6,340,748
Less allowance	(24,774)	–	–	(24,774)	(11,225)
Carrying amount	6,742,197	–	–	6,742,197	6,329,523
Loans and advances to customers					
Grade 1-2: Low fair risk	3,517,995	347,149	–	3,865,144	4,551,198
Grade 3: Low fair risk	–	436,576	–	436,576	306,946
Grade 4: Substandard	–	–	174,642	174,642	133,628
Grade 5: Impaired	–	–	107,370	107,370	101,175
Grade 6: Impaired	–	–	25,587	25,587	27,539
	3,517,995	783,725	307,599	4,609,319	5,120,486
Less allowance	(8,987)	(75,401)	(83,063)	(167,451)	(156,299)
Carrying amount	3,509,008	708,324	224,536	4,441,868	4,964,187
Balances with other banks and financial institutions					
Grade 1-2: Low fair risk	407,810	–	–	407,810	922,755
Grade 4: Substandard	–	104,110	–	104,110	418
Grade 6: Impaired	–	–	12,434	12,434	12,444
	407,810	104,110	12,434	524,354	935,617
Less allowance	(399)	(1,545)	(12,434)	(14,378)	(13,249)
Carrying amount	407,411	102,565	–	509,976	922,368
Loans and advances to related parties					
Grade 1-2: Low fair risk	12,666	902	–	13,568	18,369
Grade 3: Low fair risk	–	1,014	–	1,014	831
Grade 6: Impaired	–	–	4,784	4,784	2,237
	12,666	1,916	4,784	19,366	21,437
Less allowance	(2,102)	(112)	(2,653)	(4,867)	(4,434)
Carrying amount	10,564	1,804	2,131	14,499	17,003

In Millions of Lebanese Pound	2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
Debt investment securities at fair value through OCI					
Grade 1-2: Low fair risk	80,770	–	–	80,770	111,809
	80,770	–	–	80,770	111,809
Less allowance	(1,810)	–	–	(1,810)	–
Carrying amount	78,960	–	–	78,960	111,809
Debt investment securities at amortised cost					
Grade 1-2: Low fair risk	4,158,882	–	–	4,158,882	4,639,836
	4,158,882	–	–	4,158,882	4,639,836
Less allowance	(25,655)	–	–	(25,655)	(23,097)
Carrying amount	4,133,227	–	–	4,133,227	4,616,739
Debtors by acceptances					
Grade 1-2-3: Low fair risk	123,019	2,568	–	125,587	238,981
	123,019	2,568	–	125,587	238,981
Less allowance	(29)	(1)	–	(30)	(23)
Carrying amount	122,990	2,567	–	125,557	238,958
Other assets					
Grade 1-2-3: Low fair risk	125,067	–	–	125,067	124,209
	125,067	–	–	125,067	124,209
Less allowance	(579)	–	–	(579)	(371)
Carrying amount	124,488	–	–	124,488	123,838
Loan commitments and financial guarantee contract					
Grade 1-2-3: Low fair risk	566,845	25,331	–	592,176	1,105,917
	566,845	25,331	–	592,176	1,105,917
Less allowance	(790)	(1,358)	–	(2,148)	(1,809)
Carrying amount	566,055	23,973	–	590,028	1,104,108

Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 3 i (vii).

Significant increase in credit risk

Under IFRS 9, when determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Group historical experience, expert credit assessment and forward-looking information.

The Group primarily identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point time that was estimated on initial recognition of the exposure.

Assessing whether credit risk has increased significantly since initial recognition of a financial instruments requires identifying the date of initial recognition of the instrument. For certain revolving facilities, (e.g. credit cards and overdrafts), the date when the facility was first entered into could be a long time ago. Modifying the contractual terms of a financial instrument may also affect this assessment, which is discussed below.

Credit risk grades

The Group will allocate each exposure to a credit risk grade based on a variety of data that determined to be predictive of the risk of default and applying experienced credit judgment. The Group will use these grades in identifying significant increase in credit risk under IFRS 9. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure will be allocated to credit risk grade on initial recognition based on available information about the borrower. Exposures will be subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate exposures	Retail exposures	All exposures
<ul style="list-style-type: none"> Information obtained during periodic review of customer files; e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes Data from credit reference agencies, press articles, changes in external credit ratings Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities 	<ul style="list-style-type: none"> Internally collected data on customer behaviour; e.g. utilisation of credit card facilities External data from credit reference agencies, including industry-standard credit scores 	<ul style="list-style-type: none"> Payment record - this includes overdue status as well as a range of variables about payment ratios Utilisation of the granted limit Requests for and granting of forbearance Existing and forecast changes in business, financial and economic conditions

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction, by type of product and borrower and by credit risk grading. For some portfolios information purchased from external credit reference agencies may also be used.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis will include the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors. For most exposures, key macro-economic indicators are likely to include GDP growth, benchmark interest rates and unemployment.

The Group's approach to incorporating forward-looking information into this assessment is discussed below.

Determining whether credit risk has increased significantly

The Group assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower. What is considered significant differs for different types of lending. Such factors are based on its expert judgment and relevant historical experiences.

i. For the retail portfolio, a significant increase in credit risk of an exposure, which would prompt a transition from Stage 1 to Stage 2, is defined using the following criteria:

- Days past due between 60 and 90 (non-mortgage);
- Days past due between 60 and 120 (mortgage);
- Rescheduled facility;
- BDL flag – isIMpDefault in (300, 305, 310, 320, 330);
- Probability of default assigned by the model at the calculation date is significantly higher than the one determined at origination;
- DTI value greater than 1.5 (non-mortgage); and
- LTV value greater than 1 (mortgage).

For a transition between stage 2 and stage 3, the following quantitative and qualitative criteria are considered:

- Days past due greater than 90 (mortgage);
- Days past due greater than 120 (non-mortgage); and
- Exposures in default due to isIMpDefault flag.

ii. For the corporate portfolio, a significant increase in credit risk of an exposure, which would prompt a transition from Stage 1 to Stage 2, is defined using the following criteria:

- Days past due between 60 and 90;
- Rescheduled facility;
- BDL flag – isIMpDefault in (300, 305, 310, 320, 330);
- A loan is assessed negatively by the Bank's early warning system;
- A loan is on the Group's watch list; and
- An exposure's rating at calculation date is worse than the rating at origination date by corresponding number of notches given by following table.

Moody's	1	2+	2	2-	3+	3	3-	4+	4	4-	5+	5	5-	6+	6	6-	7+	7	7-
Notches	15	13	13	12	11	10	9	8	7	6	5	5	4	3	3	3	1	1	1

For a transition between stage 2 and stage 3, the following quantitative and qualitative criteria are considered:

- Days past due greater than 90 (mortgage);
- Days past due greater than 120 (non-mortgage); and
- Exposures in default due to isIMpDefault flag (impairment default flag).

iii. For the sovereigns, a significant increase in credit risk of an exposure, which would prompt a transition from Stage 1 to Stage 2, is defined using the following criteria:

- Significant financial difficulty of the sovereign;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- Restructured facilities;
- Evident deterioration in the sovereign's debt servicing capacity;
- A mapped rating downgrade to CCC+ (mapped ratings are determined as per Basel II directives i.e. second best rating).

iv. For the financial sector portfolios, a significant increase in credit risk of an exposure, which would prompt a transition from Stage 1 to Stage 2, is defined using the following criteria:

- Significant financial difficulty of the financial institution;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- Restructured facilities;
- Material and persistent decrease in the financial institution's income / future cash flows;
- Evident deterioration in the financial institution's debt servicing capacity; and
- Multiple rating downgrades from rating agencies.

For a transition between stage 2 and stage 3, the following quantitative and qualitative criteria are considered

- Downgrade of mapped External Credit Rating to CC or below;
- When payments on an obligation are not made on the due date;
- The financial institution files a bankruptcy petition or takes a similar action; and
- When the default on an obligation is a virtual certainty.

v. For the financial instruments portfolios, a significant increase in credit risk of an exposure, which would prompt a transition from Stage 1 to Stage 2, is defined using the following criteria:

- Significant financial difficulty of the issuer;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- Restructured facilities;
- Material and persistent decrease in the issuer's income / future cash flows;
- Evident deterioration in the issuer's debt servicing capacity; and
- Multiple rating downgrades from rating agencies at the level of the issuer or the issue.

The transition of financial instruments exposures from stage 2 to stage 3 takes place when any default on the payments of these financial instruments occurs or is not made on the date due.

A staging upgrade may only occur after a cooling period of 1 year, during which the borrower has proven its ability of settlement by paying back his instalments without any delinquencies.

Any decisions related to the upgrade of financial assets should be documented in detailed minutes of meetings along with the upgrade rationale attaching the supportive documentation.

Any update from Stage 3 (i.e. BDL 4, 5 and 6) to Stage 2 requires BCC approval as per clause 4.2 of the BCC Circular no 293.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 60 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Definition of default

The definition of default adopted is the one mentioned in BDL Basic Circular No. 115 stipulating that the debtor is considered as defaulting in any of the following cases:

- if it appears that the debtor has become unable to fulfill any of his obligations towards the Group, even if the latter, in order to sue the client, does not resort to its legal right in acquiring or liquidating or executing the guarantees, collateral or commitments submitted by the debtor upon obtaining the loan;
- if more than 90 days have elapsed since the debtor has failed to settle his/her/its liabilities to the bank;
- In addition to the abovementioned cases, the overdraft debtor is considered as defaulting, if 90 days have elapsed after he exceeded the ceiling of facilities obtained under the original debit account contract or under the renewed and duly documented debit account contract. This shall also apply to credit accounts that become debit accounts by chance and that are not settled after 90 days; and
- Any exposure set under stage 3 will trigger a contagion effect to all facilities under same client i.e. Stage 3 is applied to all exposures under same client (Cross-Default).

Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

Based on a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two additional economic scenarios and considering the relative probabilities of each outcome.

External information includes economic data and forecasts published by "The World Bank".

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The economic scenarios used as at 31 December 2019 included the following ranges of key indicators for Lebanon for the years ending 31 December 2019 to 2024.

	2019	2020	2021	2022	2023	2024
GDP growth (annual %)	Base 0.45% Range between -0.16% and 1.06%	Base 0.69% Range between -0.53% and 1.91%	Base 0.94% Range between -0.89% and 2.77%	Base 1.18% Range between -1.25% and 3.62%	Base 1.43% Range between -1.62% and 4.48%	Base 1.68% Range between 1.98% and 5.34%

Modified financial assets

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 derecognised and the renegotiated loan recognised as a new loan at fair value.

Under IFRS 9, when the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- the remaining lifetime PD at the reporting date based on the modified terms: with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

The Group renegotiates loans to customers financial difficulties (referred to as 'forbearance activities' to maximise collection opportunities and minimise the risk of default).

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Group Credit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Group' forbearance policy, the estimate of PD will reflect whether the modification has improved or restored the Bank's ability to collect interest and principle and the Bank's previous experience of similar forbearance action.

Generally, forbearance is a qualitative indicator of default and credit impairment and expectations of forbearance are relevant to assessing whether there is a significant increase in credit risk. Following forbearance, a customer needs to demonstrate consistently good payment behaviour over a period at time before the exposure is no longer considered to be in default/credit-impaired or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECLs.

Measurement of ECLs

The key inputs into the measurement of ECLs are likely to be the term structures of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters will be derived from internally developed statistical models and other historical data that leverage regulatory models.

PD estimates are estimates at a certain date, which will be calculated based on statistical rating models and assessed using rating tools tailored to the various categories of counterparties and exposures.

LGD represents the magnitude of the likely loss if there is a default.

EAD represents the expected exposure in the event of default. The EAD of a financial asset will be the gross carrying amount at default. For lending commitments and financial guarantees, the EAD will consider the amount drawn.

Where modelling of a parameter is carried out on a collective basis, the financial instruments will be grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk grading's;
- industry; and
- geographic location of the borrower.

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

In Millions of Lebanese Pound	2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
Balances with Central Banks					
Balance at 1 January	11,225	–	–	11,225	14,952
Financial assets derecognised during the year	13,549	–	–	13,549	(3,727)
Balance at 31 December	24,774	–	–	24,774	11,225
Loans and advances to customers					
Balance at 1 January	8,543	50,802	96,954	156,299	153,575
Transfer from stage 1 to stage 2	(1,959)	1,959	–	–	–
Transfer from stage 1 to stage 3	(36)	–	36	–	–
Transfer from stage 2 to stage 1	717	(717)	–	–	–
Transfer from stage 2 to stage 3	–	(3,295)	3,295	–	–
Transfer from stage 1 to stage 3	9	–	(9)	–	–
Transfer from stage 3 to stage 2	–	532	(532)	–	–
Net remeasurement of loss allowance	1,632	29,726	(16,287)	15,071	10,103
New financial assets originated or purchased	194	141	3	338	1,727
Financial assets derecognised during the year	(113)	(3,747)	(397)	(4,257)	(9,106)
Balance at 31 December	8,987	75,401	83,063	167,451	156,299

In Millions of Lebanese Pound	2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
Loans and advances to customers at amortised cost - retail customers *					
Balance at 1 January	5,729	22,120	57,707	85,556	73,037
Transfer from stage 1 to stage 2	(1,005)	1,005	–	–	–
Transfer from stage 1 to stage 3	(36)	–	36	–	–
Transfer from stage 2 to stage 1	598	(598)	–	–	–
Transfer from stage 2 to stage 3	–	(2,697)	2,697	–	–
Transfer from stage 3 to stage 1	–	532	(532)	–	–
Transfer from stage 3 to stage 2	9	–	(9)	–	–
Net remeasurement of loss allowance	2,704	12,117	(16,705)	(1,884)	13,608
New financial assets originated or purchased	193	141	3	337	1,507
Financial assets derecognised during the year	(75)	(3,256)	(240)	(3,571)	(2,596)
Balance at 31 December	8,117	29,364	42,957	80,438	85,556
Loans and advances to customers at amortised cost - corporate customers *					
Balance at 1 January	2,814	28,682	39,247	70,743	80,538
Transfer from stage 1 to stage 2	(954)	954	–	–	–
Transfer from stage 1 to stage 3	(1)	–	1	–	–
Transfer from stage 2 to stage 1	119	(119)	–	–	–
Transfer from stage 2 to stage 3	–	(598)	598	–	–
Net remeasurement of loss allowance	(1,072)	17,609	417	16,954	(3,505)
New financial assets originated or purchased	2	–	–	2	220
Financial assets derecognised during the year	(38)	(491)	(157)	(686)	(6,510)
Balance at 31 December	870	46,037	40,106	87,013	70,743

* Movement of loss allowance by type of customer is above.

	2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
<i>In Millions of Lebanese Pound</i>					
Balances with other banks and financial institutions					
Balance at 1 January	709	96	12,444	13,249	11,430
Net remeasurement of loss allowance	(310)	1,449	(10)	1,129	1,819
Balance at 31 December	399	1,545	12,434	14,378	13,249
Loans and advances to related parties					
Balance at 1 January	2,079	118	2,237	4,434	4,122
Net remeasurement of loss allowance	23	(6)	416	433	312
Balance at 31 December	2,102	112	2,653	4,867	4,434
Debt investment securities at amortised cost					
Balance at 1 January	23,097	–	–	23,097	21,652
Net remeasurement of loss allowance	2,558	–	–	2,558	1,445
Balance at 31 December	25,655	–	–	25,655	23,097
Debt investment securities at fair value through OCI					
Balance at 1 January	–	–	–	–	–
Transfer from other provisions	1,810	–	–	1,810	–
Balance at 31 December	1,810	–	–	1,810	–
Debtors by acceptances					
Balance at 1 January	23	–	–	23	29
Net remeasurement of loss allowance	6	1	–	7	(6)
Balance at 31 December	29	1	–	30	23
Other assets					
Balance at 1 January	371	–	–	371	–
Net remeasurement of loss allowance	208	–	–	208	371
Balance at 31 December	579	–	–	579	371
Loan commitments and financial guarantee contract					
Balance at 1 January	980	814	15	1,809	1,048
Transfer from other provisions	–	88	–	88	–
Net remeasurement of loss allowance	(190)	456	(15)	251	761
Balance at 31 December	790	1,358	–	2,148	1,809

The following table provides a reconciliation between:

- amounts shown in the above tables reconciling opening and closing balances of loss allowance per class of financial instrument; and
- the impairment losses on financial instruments line item in the consolidated statement of profit or loss and other comprehensive income.

	Cash and balances with Central Banks	Balances with other banks and financial institutions	Loans and advances to customers	Loans and advances to related parties	Debtors by acceptances	Debt investment securities at amortised cost	Other assets	Loan commitments and financial guarantee contract	Total
<i>In Millions of Lebanese Pound</i>									
Net remeasurement of loss allowance	–	1,129	15,071	433	7	2,558	208	251	19,657
New financial assets originated or purchased	–	–	338	–	–	–	–	–	338
Financial assets derecognised during the year	13,549	–	(4,257)	–	–	–	–	–	9,292
Total	13,549	1,129	11,152	433	7	2,558	208	251	29,287

Collateral held

Type of credit exposure

The Group holds collateral against certain of its credit exposures. The table below sets out the principal types of collateral held against loans and advances to customers and related parties:

<i>In Millions of Lebanese Pound</i>	2019	2018
Principal type of collateral held for secured lending		
Engagement by signature received	46,722	38,484
Personal guarantees received	4,209,764	4,279,106
Mortgages and real securities received	4,608,504	4,722,679
Mobilisation bills received as guarantee	26,472	31,173
Bills received as guarantee	14,301	13,211
Commitment and contingencies received	573,645	695,205
	9,479,408	9,779,858

The Group typically does not hold collateral against balances with other banks and financial institutions and against investment securities, and no such collateral was held at 31 December 2019 or 2018.

The Group did not obtain non-financial assets during the year by taking possession of collateral held as security against loans and advances.

The Group's policy is to pursue timely realisation of the collateral in an orderly manner. The Group generally does not use the non-cash collateral for its own operations.

Concentration of credit risk

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from loans and advances and investment securities is shown below:

<i>In Millions of Lebanese Pound</i>	Loans and advances to customers		Loans and advances to related parties		Balances with Central banks, banks and financial institutions		Investment debt securities	
	2019	2018	2019	2018	2019	2018	2019	2018
Carrying amount	4,441,868	4,964,187	14,499	17,003	7,252,173	7,251,891	4,212,187	4,728,548
Concentration by sector								
Retail	1,934,185	2,140,566	2,029	1,710	–	–	–	–
Trade and services	1,540,882	1,674,726	4,728	5,712	–	–	–	–
Industries	538,854	627,579	–	–	–	–	–	–
Construction and real estate	356,897	440,423	7,704	9,581	–	–	–	–
Brokerage	20,397	23,030	38	–	–	–	–	–
Agriculture	50,653	55,680	–	–	–	–	–	–
Banks and financial institutions	–	–	–	–	421,526	922,368	106,623	54,737
Corporate	–	–	–	–	–	–	3,613	3,965
Government	–	2,183	–	–	6,830,647	6,329,523	4,101,951	4,669,846
	4,441,868	4,964,187	14,499	17,003	7,252,173	7,251,891	4,212,187	4,728,548
Concentration by location								
Lebanon	4,109,657	4,735,647	14,499	17,003	6,751,708	6,266,536	4,148,717	4,650,054
Middle East and Africa	191,321	128,327	–	–	115,325	210,441	63,470	66,813
Europe	126,692	86,905	–	–	184,542	628,316	–	11,681
Other	14,198	13,308	–	–	200,598	146,598	–	–
	4,441,868	4,964,187	14,499	17,003	7,252,173	7,251,891	4,212,187	4,728,548

Concentration by location for loans and advances to customers, related parties and other banks and financial institutions are based on the country of domicile of the borrower or the issuer.

Trading assets

An analysis of the credit quality of the maximum credit exposure, based on the median rating of the three eligible rating agencies as per Basel II (Moody's, Standard & Poor's and Fitch) where applicable, is as follows:

<i>In Millions of Lebanese Pound</i>	From A+ to A-	From BBB+ to BBB-	From BB+ to BB-	From B+ to B-	From CCC+ to CCC- or NR	Total
31 December 2019						
Financial assets at fair value through profit or loss	-	-	-	-	9,662	9,662
31 December 2018						
Financial assets at fair value through profit or loss	-	-	-	7,259	4,858	12,117

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

The Group's Board of Directors sets the Group's strategy for managing liquidity risk and delegates the responsibility for the oversight of the implementation of this policy to the Risk Committee and ALCO. ALCO approves the Group's liquidity policies and procedures. Central Treasury manages the Bank's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of both the Bank and foreign branches.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The key elements of the Group's liquidity strategy are as follows:

- Maintaining a diversified funding base consisting of customer deposits (both retail and corporate) and maintaining contingency facilities;
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity;
- Monitoring liquidity ratios, maturity mismatches, behavioural characteristics of the Group's financial assets and liabilities, and the extent to which the Group's assets are encumbered and so not available as potential collateral for obtaining funding.

In addition, the Group maintains statutory deposits with Central Banks. As per Lebanese banking regulations, the Group must retain non-interest bearing balances with the Central Bank of Lebanon equivalent to 25% of the sight deposits and 15% of term deposits denominated in Lebanese Pounds. As for foreign currencies, the Group must retain with the Central Bank of Lebanon interest bearing statutory investments equivalent to 15% of all deposits regardless of their nature.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. The Group maintains a solid ratio of highly liquid net assets in foreign currencies to deposits and commitments in foreign currencies taking market conditions into consideration.

The net liquid assets consist of cash and all balances with the Central Bank of Lebanon (excluding reserve requirements), certificates of deposit issued by the Central Bank of Lebanon irrespective of their maturities and deposits due from other banks that mature within one year, less deposits due to the Central Bank of Lebanon and deposits due to banks that mature within one year. Deposits are composed of total customer deposits (excluding blocked accounts) and due from financial institutions irrespective of their maturities and all certificates of deposits and acceptances and other debt instruments issued by the Group and loans from the public sector that mature within one year.

Maturity analysis for assets and liabilities

The tables below set out the remaining contractual maturities of the Group's assets and liabilities:

<i>In Millions of Lebanese Pound</i>	Amount without maturity	1-3 months	3-6 months	6 months to 1 year	1-5 years	More than 5 years	Total
31 December 2019							
Assets							
Cash and balances with Central Banks	478,188	180,900	251,753	269,843	2,043,103	3,574,506	6,798,293
Balances with other banks and financial institutions	504,809	5,146	21	–	–	–	509,976
Loans and advances to customers	1,721,390	48,820	66,160	104,859	690,098	1,810,541	4,441,868
Loans and advances to related parties	12,273	–	–	–	210	2,016	14,499
Debtors by acceptances	125,557	–	–	–	–	–	125,557
Financial assets at fair value through other comprehensive income	62,027	–	–	–	65,320	4,892	132,239
Financial assets at fair value through profit or loss	4,564	832	236	–	2,740	1,290	9,662
Financial assets at amortised cost	76,049	78,866	71,537	157,273	1,241,930	2,507,572	4,133,227
Total assets	2,984,857	314,564	389,707	531,975	4,043,401	7,900,817	16,165,321
Liabilities							
Loans and deposits from Central Banks	(21,034)	–	–	(18,248)	(279,700)	(921,158)	(1,240,140)
Balances from other banks and financial institutions	(202,355)	(189,269)	(103,506)	(13,460)	(18,488)	(1,165)	(528,243)
Deposits from customers	(7,313,765)	(1,920,861)	(1,453,406)	(1,459,344)	(491,172)	(1,065)	(12,639,613)
Deposits from related parties	(116,223)	(25,787)	(44,313)	(23,642)	(12,481)	–	(222,446)
Engagement by acceptances	(125,586)	–	–	–	–	–	(125,586)
Subordinated debt issued	(9,795)	–	–	–	–	(150,750)	(160,545)
Tax liabilities	(42,919)	–	–	–	–	–	(42,919)
Lease liabilities	(28,127)	–	–	–	–	–	(28,127)
Total liabilities and shareholder's equity	(7,859,804)	(2,135,917)	(1,601,225)	(1,514,694)	(801,841)	(1,074,138)	(14,987,619)
Liquidity gap	(4,874,947)	(1,821,353)	(1,211,518)	(982,719)	3,241,560	6,826,679	1,177,702
Cumulative gap	(4,874,947)	(6,696,300)	(7,907,818)	(8,890,537)	(5,648,977)	1,177,702	2,355,404

In Millions of Lebanese Pound

	Amount without maturity	1-3 months	3-6 months	6 months to 1 year	1-5 years	More than 5 years	Total
31 December 2018							
Assets							
Cash and balances with Central Banks	747,083	380,079	241,200	171,855	1,215,794	3,648,689	6,404,700
Balances with other banks and financial institutions	920,293	2,000	–	–	75	–	922,368
Loans and advances to customers	1,745,270	62,372	85,753	159,823	849,951	2,061,018	4,964,187
Loans and advances to related parties	13,279	289	247	103	1,128	1,957	17,003
Debtors by acceptances	238,958	–	–	–	–	–	238,958
Financial assets at fair value through other comprehensive income	58,918	–	–	–	92,636	9,550	161,104
Financial assets at fair value through profit or loss	6,087	–	537	–	3,448	2,045	12,117
Financial assets at amortised cost	83,695	131,773	129,005	206,696	1,336,158	2,729,412	4,616,739
Total assets	3,813,583	576,513	456,742	538,477	3,499,190	8,452,671	17,337,176
Liabilities							
Loans and deposits from Central Banks	(2,330)	(14,636)	–	(18,006)	(279,098)	(985,917)	(1,299,987)
Balances from other banks and financial institutions	(51,854)	(321,473)	(156,686)	(5,803)	(13,574)	–	(549,390)
Deposits from customers	(1,287,473)	(8,158,585)	(1,738,146)	(1,764,151)	(569,578)	(1,500)	(13,519,433)
Deposits from related parties	(141,950)	(17,651)	(69,717)	(100,452)	(5,082)	–	(334,852)
Engagement by acceptances	(238,981)	–	–	–	–	–	(238,981)
Subordinated debt issued	(9,795)	–	–	–	–	(150,750)	(160,545)
Tax liabilities	(46,519)	–	–	–	–	–	(46,519)
Total liabilities Total liabilities and shareholder's equity	(1,778,902)	(8,512,345)	(1,964,549)	(1,888,412)	(867,332)	(1,138,167)	(16,149,707)
Liquidity gap	2,034,681	(7,935,832)	(1,507,807)	(1,349,935)	2,631,858	7,314,504	1,187,469
Cumulative gap	2,034,681	(5,901,151)	(7,408,958)	(8,758,893)	(6,127,035)	1,187,469	2,374,938

The above tables show the undiscounted cash flows on the Group's assets and liabilities on the basis of their earliest possible contractual maturity.

The Group's expected cash flows on some assets and liabilities vary significantly from the contractual cash flows. For example, demand deposits from customers are expected to maintain a stable or increasing balance.

As part of the management of its liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents, compulsory reserves with Central Banks.

(d) Market risks

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters in order to ensure the Group's solvency while optimising the return on risk.

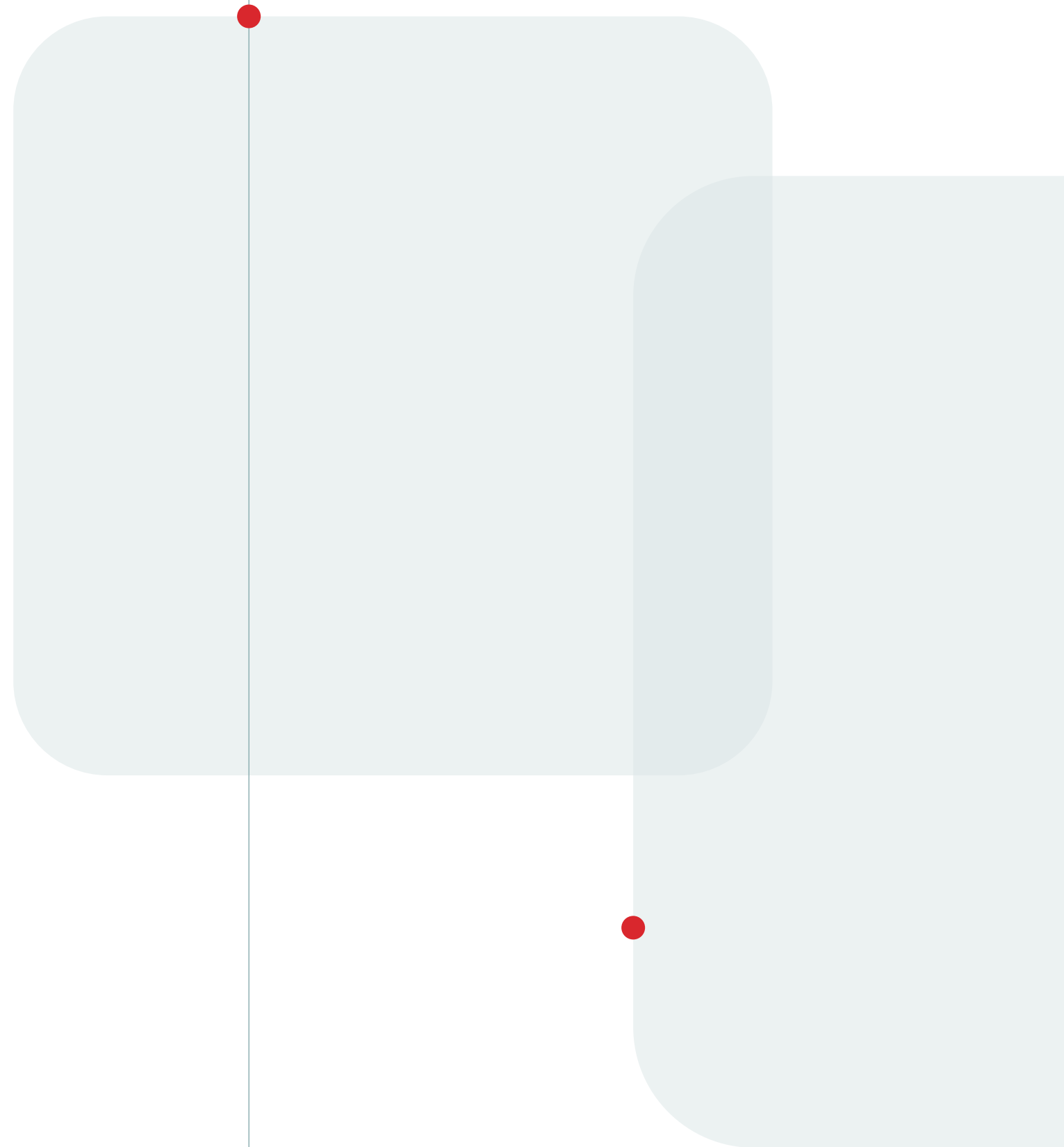
Management of market risks

Overall authority for market risk management is vested in ALCO. ALCO sets up limits for each type of risk in aggregate and for portfolios, with market liquidity being a primary factor in determining the level of limits set for trading portfolios. The Group Market Risk is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

The Group employs a range of tools to monitor and limit market risk exposures.

Exposure to interest rate risk

The principal risk to which portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. A summary of the Group's interest rate gap position is as follows.



In Millions of Lebanese Pound

	Carrying amount	1-3 months	3-6 months	6 months to 1 year	1-5 years	More than 5 years	Non Interest bearing
31 December 2019							
Assets							
Cash and balances with Central Banks	6,798,293	337,616	251,753	269,843	2,043,103	3,574,508	321,470
Balances with other banks and financial institutions	509,976	337,342	21	–	–	–	172,613
Loans and advances to customers	4,441,868	1,614,895	66,160	104,859	690,098	1,810,609	155,247
Loans and advances to related parties	14,499	12,344	–	–	210	2,016	(71)
Debtors by acceptances	125,557	–	–	–	–	–	125,557
Financial assets at fair value through other comprehensive income	132,239	–	–	–	65,320	4,892	62,027
Financial assets at fair value through profit or loss	9,662	832	235	–	2,739	1,290	4,566
Financial assets at amortised cost	4,133,227	116,556	71,537	157,273	1,241,930	2,507,572	38,359
Total assets	16,165,321	2,419,585	389,706	531,975	4,043,400	7,900,887	879,768
Liabilities							
Loans and deposits from Central Banks	(1,240,140)	(18,701)	–	(18,248)	(279,700)	(921,157)	(2,334)
Balances from other banks and financial institutions	(528,243)	(335,648)	(103,506)	(13,464)	(18,488)	(1,165)	(55,972)
Deposits from customers	(12,639,613)	(7,349,653)	(1,453,406)	(1,459,342)	(491,172)	(1,065)	(1,884,975)
Deposits from related parties	(222,446)	(109,944)	(44,313)	(23,642)	(12,482)	–	(32,065)
Engagements by acceptances	(125,586)	–	–	–	–	–	(125,586)
Subordinated debt issued	(160,545)	–	–	–	–	(150,750)	(9,795)
Tax liabilities	(42,919)	–	–	–	–	–	(42,919)
Lease liabilities	(28,127)	–	–	–	–	–	(28,127)
Total liabilities and equity	(14,987,619)	(7,813,946)	(1,601,225)	(1,514,696)	(801,842)	(1,074,137)	(2,181,773)
Interest rate sensitivity gap	1,177,702	(5,394,361)	(1,211,519)	(982,721)	3,241,558	6,826,750	(1,302,005)
Cumulative gap	1,177,702	(4,216,659)	(5,428,178)	(6,410,899)	(3,169,341)	3,657,409	2,355,404

In Millions of Lebanese Pound

	Carrying amount	1-3 months	3-6 months	6 months to 1 year	1-5 years	More than 5 years	Non Interest bearing
31 December 2018							
Assets							
Cash and balances with Central Banks	6,404,700	380,079	241,200	171,855	1,215,794	3,648,689	747,083
Balances with other banks and financial institutions	922,368	690,086	–	–	75	–	232,207
Loans and advances to customers	4,964,187	1,700,501	85,753	159,823	849,951	2,061,018	107,141
Loans and advances to related parties	17,003	13,622	247	103	1,128	1,903	–
Debtors by acceptances	238,958	–	–	–	–	–	238,958
Financial assets at fair value through other comprehensive income	161,104	–	–	–	92,380	9,550	59,174
Financial assets at fair value through profit or loss	12,117	–	537	–	3,448	3,276	4,856
Financial assets at amortised cost	4,616,739	158,668	129,005	206,696	1,336,158	2,729,412	56,800
Total assets	17,337,176	2,942,956	456,742	538,477	3,498,934	8,453,848	1,446,219
Liabilities							
Loans and deposits from Central Banks	(1,299,987)	(14,636)	–	(18,006)	(279,098)	(985,917)	(2,330)
Balances from other banks and financial institutions	(549,390)	(321,473)	(156,686)	(5,803)	(13,574)	–	(51,854)
Deposits from customers	(13,519,433)	(8,158,585)	(1,738,146)	(1,764,151)	(569,578)	(1,500)	(1,287,473)
Deposits from related parties	(334,852)	(145,941)	(69,717)	(100,452)	(5,082)	–	(13,660)
Engagements by acceptances	(238,981)	–	–	–	–	–	(238,981)
Subordinated debt issued	(160,545)	–	–	–	–	(150,750)	(9,795)
Tax liabilities	(46,519)	–	–	–	–	–	(46,519)
Total liabilities and equity	(16,149,707)	(8,640,635)	(1,964,549)	(1,888,412)	(867,332)	(1,138,167)	(1,650,612)
Interest rate sensitivity gap	1,187,469	(5,697,679)	(1,507,807)	(1,349,935)	2,631,602	7,315,681	(204,393)
Cumulative gap	1,187,469	(4,510,210)	(6,018,017)	(7,367,952)	(4,736,350)	2,579,331	2,374,938

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

	Change in bp	Sensitivity of net interest income
--	--------------	------------------------------------

In Millions of Lebanese Pound

31 December 2019		
LBP	+100	(49,952)
USD	+50	(23,005)
EUR	+25	(64)

	Change in bp	Sensitivity of net interest income
--	--------------	------------------------------------

In Millions of Lebanese Pound

31 December 2018		
LBP	+100	(102,365)
USD	+50	(25,845)
EUR	+25	(256)

Overall interest rate risk positions are managed by Risk Management, which uses investment securities, advances to banks, deposits from banks to manage the overall position arising from the Group's activities.

Exposure to currency risk

The Group monitors any concentration risk in relation to any individual currency in regard to the translation of foreign currency transactions and monetary assets and liabilities into the functional currency of the Group, and with regard to the translation of foreign operations into the presentation currency of the Group.

The following table presents the breakdown of assets and liabilities by currency:

In Millions of Lebanese Pound	31 December 2019					31 December 2018				
	LBP	USD	EUR	Other	Total	LBP	USD	EUR	Other	Total
Assets										
Cash and balances with Central Banks	2,229,150	4,521,028	17,641	30,474	6,798,293	2,761,042	3,585,871	11,628	46,159	6,404,700
Balances with other banks and financial institutions	39,568	382,048	22,594	65,766	509,976	79,634	736,460	45,174	61,100	922,368
Loans and advances to customers	1,900,503	2,214,312	240,439	86,614	4,441,868	2,175,817	2,450,059	250,074	88,237	4,964,187
Loans and advances to related parties	1,283	13,174	42	–	14,499	2,168	14,808	27	–	17,003
Debtors by acceptances	–	103,684	21,805	68	125,557	–	234,065	4,124	769	238,958
Financial assets at fair value through other comprehensive income	30,432	100,341	1,466	–	132,239	31,387	128,237	1,480	–	161,104
Financial assets at fair value through profit or loss	–	9,662	–	–	9,662	–	12,117	–	–	12,117
Financial assets at amortised cost	2,423,799	1,645,957	–	63,471	4,133,227	2,711,128	1,838,795	–	66,816	4,616,739
Total assets	6,624,735	8,990,206	303,987	246,393	16,165,321	7,761,176	9,000,412	312,507	263,081	17,337,176
Liabilities										
Loans and deposits from Central Banks	1,207,445	32,695	–	–	1,240,140	1,277,399	16,347	–	6,241	1,299,987
Deposits from other banks and financial institutions	67,926	400,938	44,830	14,549	528,243	16,893	474,898	47,294	10,305	549,390
Deposits from customers	4,632,775	7,600,557	256,849	149,432	12,639,613	5,756,107	7,293,532	289,896	179,898	13,519,433
Deposits from related parties	8,060	207,165	6,761	460	222,446	25,191	301,510	7,630	521	334,852
Engagements by acceptances	–	103,678	21,840	68	125,586	–	234,089	4,124	768	238,981
Subordinated debt issued	–	160,545	–	–	160,545	–	160,545	–	–	160,545
Tax liabilities	27,890	11,748	3,281	–	42,919	46,519	–	–	–	46,519
Lease liabilities	4,479	21,421	1,312	915	28,127	–	–	–	–	–
Total liabilities	5,948,575	8,538,747	334,873	165,424	14,987,619	7,122,109	8,480,921	348,944	197,733	16,149,707
	676,160	451,459	(30,886)	80,969	1,177,702	639,067	519,491	(36,437)	65,348	1,187,469

The Group is subject to currency risk on financial assets and liabilities denominated in currencies other than the Group's functional currency, which is the Lebanese Pound (LBP). Most of these financial assets and liabilities are denominated in US Dollars or Euros.

An analysis of the Group's sensitivity to a change in currency rates, assuming all other variables remain constant, is as follows:

<i>In Millions of Lebanese Pound</i>	Increase in currency rate	Effect on profit before tax	Effect on equity
31 December 2019			
USD	50%	226,014	8,470
EUR	50%	(15,444)	-

<i>In millions of Lebanese Pound</i>	Increase in currency rate	Effect on profit before tax	Effect on equity
31 December 2018			
USD	1%	5,195	8,250
EUR	1%	(364)	-

(e) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and innovation. In all cases, the Group policy requires compliance with all applicable legal and regulatory requirements.

The Board of Directors has delegated responsibility for operational risks to management which is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is cost effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management, with summaries submitted to the Audit Committee and senior management of the Group.

(f) Capital management

Regulatory capital

The Group's lead regulator, the Central Bank of Lebanon, sets and monitors capital requirements for the Group as a whole. The Group's regulatory capital adequacy ratio at 31 December was as follows:

	2019	2018
Capital adequacy ratio - Tier 1 capital	7.14%	14.26%
Capital adequacy ratio - Total capital	8.86%	16.59%

To monitor the adequacy of its capital, the Group uses ratios established by the Bank for International Settlements (BIS). In line with Basel III and Central Bank of Lebanon Basic Circular no. 44 amended by Central Bank of Lebanon Intermediary Circular no. 282, the minimum requirements for capital adequacy ratios are set at 8% by the BIS and 15% by the Central Bank of Lebanon. These ratios measure capital adequacy by comparing the Group's eligible capital with its statement of financial position, off-balance-sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk.

The market risk approach covers the risk of open positions in currencies and debt and equity securities. Assets are weighted according to broad categories of notional risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Six categories of risk weights (0%, 20%, 35%, 50%, 75%, 100%) are applied; for example, cash and LBP placements with the Central Bank have a 0% risk weighting which means that no capital is required to support the holding of these assets. Off-balance-sheet credit instruments are taken into account by applying different categories of conversion factors, designed to convert these items into statement of financial position equivalents.

The results of the capital adequacy computation exercise are presented to Senior Management and the Group's Risk Committee for regular review and monitoring of the Group's overall capitalisation levels.

The resulting equivalent amounts are then weighted for risk using the same percentages as for on-balance-sheet assets.

The Group's regulatory capital comprises two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings and NCI after deductions for intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes; and
- Tier 2 capital, which includes qualifying subordinated liabilities, and the element of the fair value reserve relating to unrealised gains and losses on equity instruments measured at fair value through other comprehensive income and real estate revaluation reserve.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Bank and its individually regulated operations have complied with all externally imposed capital requirements.

<i>In Millions of Lebanese Pound</i>	2019	2018
Risk weighted assets	12,975,754	7,933,322
Credit risk	159,858	57,827
Market risk	674,099	672,145
Operational risk		
Total risk weighted assets	13,809,711	8,663,294

The Bank's regulatory capital position under Basel III at 31 December was as follows:

<i>In Millions of Lebanese Pound</i>	2019	2018
Tier 1 capital	985,730	1,235,018
Tier 2 capital	237,656	202,115
Total regulatory capital	1,223,386	1,437,133

6. Fair values of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, bond and equity prices and foreign currency exchange rates.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

7. Cash and balances with Central Banks

<i>In Millions of Lebanese Pound</i>	2019	2018
Cash	56,096	75,177
Unrestricted balances with Central Banks	5,132,384	4,664,802
Mandatory reserves with the Central Bank of Lebanon	1,449,115	1,535,053
Mandatory reserves with the Central Bank of Iraq*	4,849	3,419
Mandatory reserves with the Central Bank of Senegal	2,364	3,070
Mandatory reserves with the Central Bank of Cyprus	879	734
Mandatory reserves with the Central Bank of Bahrain	428	600
Interest receivable	176,952	133,070
Expected credit loss allowance	(24,774)	(11,225)
	6,798,293	6,404,700

*Closed in 2020.

In accordance with Central Bank of Lebanon regulations, the Group is required to constitute mandatory reserves in Lebanese pounds (LBP) of 15% and 25% of the average weekly customers' term and sight commitment accounts denominated in Lebanese pounds respectively. The Bank is also required to constitute mandatory reserves in foreign currency (FCY) calculated on the basis of 15% of total customers deposit accounts denominated in foreign currency, regardless of their nature. Foreign branches and subsidiaries with banking operations are also subject to mandatory reserve requirements with varying percentages, according to the banking rules and regulations of the countries in which they are operating. Mandatory reserve deposits are not available for use in the Group's day-to-day operations. Cash on hand and LBP reserves are non-interest bearing, whereas FCY reserves are floating-rate assets.

Assets under leverage arrangement with the Central Bank of Lebanon

<i>In Millions of Lebanese Pound</i>	2019	2018
Term placements with Central Bank of Lebanon	2,252,668	999,349
Lebanese Treasury bills	483,673	483,673
	2,736,341	1,483,022

Cash and balances with Central Bank include assets under leverage arrangement amounting to LBP 2,252,668 million (2018: 999,349 million) consisting of term placements with the Central Bank of Lebanon and Lebanese Treasury bills in LBP originated from and are pledged against the corresponding leverage arrangements with the Central Bank of Lebanon for the same amounts in LBP, purpose of which is to provide yield adjustment on certain transactions related to either fresh deposits in foreign currency or sale of foreign currency against LBP placed in term deposits at the Central Bank of Lebanon and/or Government securities. The leverage and related pledged assets mechanism resulted in a yield enhancement on the following financial assets:

<i>In Millions of Lebanese Pound</i>	2019	2018
Loans from Central Bank of Lebanon	2,736,341	1,483,022

8. Balances with other banks and financial institutions

<i>In Millions of Lebanese Pound</i>	2019	2018
Current accounts	174,385	232,254
Term deposits	337,341	690,085
Loans and advances to banks	21	75
Impaired loans to banks and financial institutions	12,434	12,422
Interest receivable	173	781
Expected credit loss allowance	(14,378)	(13,249)
	509,976	922,368

9. Loans and advances to customers

2019

<i>In Millions of Lebanese Pound</i>	Gross amount	Expected credit loss allowance	Carrying amount
Regular retail customers:			
Normal			
Cash collateral	86,041	(181)	85,860
Mortgage	1,519,173	(14,950)	1,504,223
Personal	31,269	(423)	30,846
Credit cards	48,801	(183)	48,618
Other	258,603	(1,722)	256,881
Watch	135,010	(20,021)	114,989
Regular corporate customers:			
Normal	1,900,777	(10,080)	1,890,697
Watch	301,635	(36,827)	264,808
Classified retail customers:			
Substandard	94,580	(16,229)	78,351
Doubtful	48,767	(18,465)	30,302
Bad	9,813	(8,263)	1,550
Classified corporate customers:			
Substandard	80,059	(3,805)	76,254
Doubtful	58,603	(20,900)	37,703
Bad	15,774	(15,402)	372
Accrued interest receivable	20,414	–	20,414
	4,609,319	(167,451)	4,441,868

2018

<i>In Millions of Lebanese Pound</i>	Gross amount	Expected credit loss allowance	Carrying amount
Regular retail customers:			
Normal			
Cash collateral	130,139	(107)	130,032
Mortgage	1,727,669	(7,133)	1,720,536
Personal	52,956	(325)	52,631
Credit cards	44,703	(92)	44,611
Other	310,169	(1,702)	308,467
Watch	101,145	(26,691)	74,454
Regular corporate customers:			
Normal	2,266,659	(3,332)	2,263,327
Watch	206,239	(30,427)	175,812
Classified retail customers:			
Substandard	78,294	(14,253)	64,041
Doubtful	47,311	(26,621)	20,690
Bad	10,857	(8,986)	1,871
Classified corporate customers:			
Substandard	55,334	(2,029)	53,305
Doubtful	53,864	(20,381)	33,483
Bad	16,682	(14,220)	2,462
		–	
Accrued interest receivable	18,465	–	18,465
	5,120,486	(156,299)	4,964,187

Below is movement of expected credit loss allowance booked on loans and advances to customers.

<i>In Millions of Lebanese Pound</i>	Note	2019	2018
Balance at 1 January		156,299	126,767
Adjustment upon IFRS 9 application	5 (b)	–	26,808
Expected credit loss allowance for the year:			
Charge for the year	5 (b)	15,409	11,830
Recoveries and releases	5 (b)	(4,257)	(9,106)
Balance at 31 December		167,451	156,299

10. Financial assets at fair value through other comprehensive income

<i>In Millions of Lebanese Pound</i>	2019	2018
Debt securities	68,732	100,128
International bonds	12,038	11,936
Preferred shares	25,624	25,624
Quoted equity securities	18,459	13,992
Unquoted equity securities	6,834	7,089
Interest receivable*	663	2,058
Accrued dividend receivable	1,699	1,697
Expected credit loss allowance	(1,810)	(1,420)
	132,239	161,104

* Subsequent to the balance sheet date, Lebanon announced its default to settle the Eurobond debt payment, accordingly the Group booked unrealized interest on the non-recoverable interest payments.

11. Financial assets at fair value through profit or loss

<i>In Millions of Lebanese Pound</i>	2019	2018
Lebanese government treasury bills and eurobonds	4,962	7,125
Interest receivable *	29	134
	4,991	7,259
Unquoted equity securities **	4,671	4,858
	4,671	4,858
	9,662	12,117

* Subsequent to the balance sheet date, Lebanon announced its default to settle the Eurobond debt payment, accordingly the Group booked unrealized interest on the non-recoverable interest payments.

** Unquoted equity securities mainly represent net investments in start-up companies. During 2018, the Group recognised impairment losses amounting to LBP 1,044 million as these companies are incurring losses. During 2019, the Group recognised additional impairment losses amounting to LBP 264 million.

12. Financial assets at amortised cost

<i>In Millions of Lebanese Pound</i>	2019	2018
Lebanese government treasury bills and eurobonds	2,395,608	2,773,055
Other sovereign bonds	61,642	64,681
Interest receivable*	29,704	44,505
Expected credit loss allowance	(20,453)	(19,816)
	2,466,501	2,862,425
Certificates of deposits issued by the Central Bank of Lebanon	1,590,382	1,674,676
Interest receivable	34,225	35,295
Expected credit loss allowance	(4,647)	(2,678)
	1,619,960	1,707,293
Other debt instruments - Corporate bonds	47,232	47,532
Interest receivable	89	92
Expected credit loss allowance	(555)	(603)
	46,766	47,021
	4,133,227	4,616,739

* Subsequent to the balance sheet date, Lebanon announced its default to settle the Eurobond debt payment, accordingly the bank booked unrealized interest on the non-recoverable interest payments.

Financial assets at amortised cost include assets under leverage arrangement amounting to LBP 483,673 million as at 31 December 2019 (2018: 483,673 million) in Lebanese Pounds originated from and are pledged against the corresponding leverage arrangements with the Central Bank of Lebanon for the same amount in Lebanese pounds (See note 18), purpose of which is to provide yield adjustment on certain transactions related to either fresh deposits in foreign currency or sale of foreign currency against Lebanese Pounds placed in term deposits at the Central Bank of Lebanon and/or Government securities. The leverage and related pledged assets mechanism resulted in a yield enhancement on term placements with Bank of Lebanon and Lebanese treasury bills.

13. Investments in equity-accounted investees

Company	Country of incorporation	2019 Ownership interest	2018 % of control
Agence Generale de Courtage d'Assurance S.A.L.	Lebanon	25.86%	25.86%
Credit Card Management S.A.L.	Lebanon	28.96%	28.96%
International Payment Network S.A.L.	Lebanon	20.18%	20.18%
Net Commerce S.A.L.	Lebanon	19.10%	19.10%
Hot Spot Properties S.A.L.	Lebanon	48.13%	48.13%
Dourrat Loubnan Al Iqaria S.A.L.	Lebanon	45.00%	45.00%

Company	Country of incorporation	2019	2018
Agence Generale de Courtage d'Assurance S.A.L.	Lebanon	7,559	7,285
Credit Card Management S.A.L.	Lebanon	3,409	3,356
International Payment Network S.A.L.	Lebanon	1,729	1,728
Net Commerce S.A.L.	Lebanon	332	323
Hot Spot Properties S.A.L.	Lebanon	(427)	452
Dourrat Loubnan Al Iqaria S.A.L.	Lebanon	3,510	3,705
		16,112	16,849

The Group's share of its equity-accounted investees for the year was LBP 1,340 million (2018: LBP 1,906 million). Summary financial information for equity-accounted investees is as follows.

<i>In Millions of Lebanese Pound</i>	2019	2018
Current assets	64,971	64,419
Non current assets	20,196	18,764
Current liabilities	(15,401)	(14,623)
Non current liabilities	(10,724)	(10,116)
Net assets	59,042	58,444
Income	19,925	19,306
Expenses	(13,528)	(11,442)
Profit	6,397	7,864

14. Property and equipment

<i>In Millions of Lebanese Pound</i>	Land and Buildings	Installations and improvements	Furniture and equipment	Vehicles	Power generators	Advances on capital expenditures	Total
Balance at 1 January 2018	224,336	59,029	62,340	2,126	2,164	6,453	356,448
Additions	2,378	44	1,489	162	–	4,226	8,299
Disposals	–	(646)	(1,140)	(137)	–	–	(1,923)
Transfers	–	1,203	451	–	–	(1,654)	–
Balance at 31 December 2018	226,714	59,630	63,140	2,151	2,164	9,025	362,824
Balance at 1 January 2019	226,714	59,630	63,140	2,151	2,164	9,025	362,824
Additions	232	1,252	4,870	9	–	1,882	8,245
Disposals	–	–	(928)	(7)	–	–	(935)
Transfers	3,010	1,718	536	–	–	(5,264)	–
Balance at 31 December 2019	229,956	62,600	67,618	2,153	2,164	5,643	370,134
Accumulated depreciation							
Balance at 1 January 2018	25,262	45,768	44,440	1,526	1,823	–	118,819
Depreciation for the year	4,163	1,067	3,922	130	76	–	9,358
Disposals	–	(646)	(1,140)	(137)	–	–	(1,923)
Balance at 31 December 2018	29,425	46,189	47,222	1,519	1,899	–	126,254
Balance at 1 January 2019	29,425	46,189	47,222	1,519	1,899	–	126,254
Depreciation for the year	4,197	1,186	3,823	119	41	–	9,366
Disposals	–	–	(928)	(7)	–	–	(935)
Balance at 31 December 2019	33,622	47,375	50,117	1,631	1,940	–	134,685
Carrying amounts							
Balance at 1 January 2018	199,074	13,261	17,900	600	341	6,453	237,629
Balance at 31 December 2018	197,289	13,441	15,918	632	265	9,025	236,570
Balance at 31 December 2019	196,334	15,225	17,501	522	224	5,643	235,449

15. Intangible assets

<i>In Millions of Lebanese Pound</i>	Key money	Licenses	Software	Total
Cost				
Balance at 1 January 2018	2,057	15,219	22,792	40,068
Additions	13	1,473	756	2,242
Disposals	–	(12)	(33)	(45)
Balance at 31 December 2018	2,070	16,680	23,515	42,265
Balance at 1 January 2019	2,070	16,680	23,515	42,265
Additions	–	2,649	155	2,804
Balance at 31 December 2019	2,070	19,329	23,670	45,069
Accumulated amortisation				
Balance at 1 January 2018	1,765	8,511	19,031	29,307
Amortisation for the year	52	1,913	1,750	3,715
Disposals	–	(12)	(33)	(45)
Balance at 31 December 2018	1,817	10,412	20,748	32,977
Balance at 1 January 2019	1,817	10,412	20,748	32,977
Amortisation for the year	53	1,713	1,910	3,676
Disposals	–	–	(6)	(6)
Balance at 31 December 2019	1,870	12,125	22,652	36,647
Carrying amounts				
Balance at 1 January 2018	292	6,708	3,761	10,761
Balance at 31 December 2018	253	6,268	2,767	9,288
Balance at 31 December 2019	200	7,204	1,018	8,422

16. Assets held for sale

<i>In Millions of Lebanese Pound</i>	2019	2018
Balance at 1 January	55,680	55,171
Additions	–	1,662
Disposals	(707)	(1,153)
Balance at 31 December	54,973	55,680

17. Other assets

<i>In Millions of Lebanese Pound</i>	2019	2018
Reinsurers' share of technical reserves	15,753	16,098
Accounts receivable and prepayments	12,015	9,309
Restricted deposits with the Central Treasury	7,033	7,033
Deferred charges	1,169	2,550
Expected credit loss allowance	(579)	(371)
Other assets	44,141	44,263
	79,532	78,882

18. Loans and deposits from Central Banks

<i>In Millions of Lebanese Pound</i>	2019	2018
Loans from Central Banks *	1,215,450	1,289,428
Current account	22,357	8,244
Accrued interest payable	2,333	2,315
	1,240,140	1,299,987

* Following the Central Bank of Lebanon decision no. 6116 related to basic circular no. 23 and intermediate circular no. 367 issued on 11 August 2014, the Central Bank of Lebanon offered the commercial banks facilities that are subject to an interest rate of 1% per annum payable on a yearly basis. These facilities were given subject to granting loans back to clients at a higher interest rate.

19. Deposits from other banks and financial institutions

<i>In Millions of Lebanese Pound</i>	2019	2018
Term deposits	205,043	228,380
Financial institutions	182,744	112,893
Loan from banks *	84,079	135,477
Current deposits	49,889	67,729
Accrued interest payable	6,488	4,911
	528,243	549,390

* Loan from banks are loans granted by First Abu Dhabi Bank, SMBC Dubai, and Citibank N.A before being lent to corporate clients of the Bank with matching maturities. They are trade loans in nature involving cross border transactions.

The first loan which is financed by First Abu Dhabi Bank amounts to LBP 1,452 million (2018: LBP 28,530 million). Loans are granted for periods not exceeding 182 days bears an interest not exceeding 3-month Libor plus 1.9%. The second loan which is financed by SMBC Dubai amounting to LBP 23,664 million (2018: LBP 29,386 million) bears an interest not exceeding 6-month Libor + 1.80%. Additionally, a loan was granted by Banca UBAE S.P.A. amounting to LBP 42,172 million (2018: LBP 43,118 million) bears an interest not exceeding 3-month Euribor plus 3.5%.

During 2019, one new loan was granted by Citibank N.A amounting to LBP 16,791 million maturing in 2020 and bearing an interest of 6-month Libor plus 0.42%.

20. Deposits from customers

<i>In Millions of Lebanese Pound</i>	2019	2018
Savings	6,748,975	7,057,726
Term deposits	4,264,629	5,177,313
Current deposits	1,468,507	1,125,325
Other credit balances	30,755	52,178
Accrued interest payable	126,747	106,891
	12,639,613	13,519,433

21. Subordinated debt issued

<i>In Millions of Lebanese Pound</i>	2019	2018
Subordinated debt	150,750	150,750
Accrued interest payable	9,795	9,795
	160,545	160,545

On 15 March 2018, the Bank issued subordinated debt for USD 100 million bearing an interest rate of 7.75% and maturing in 2028. These subordinated debts are included in Tier 2 capital as per local regulatory requirements.

22. Tax liabilities

<i>In Millions of Lebanese Pound</i>	2019	2018
Taxes on interest	32,036	9,050
Income tax	5,050	20,779
Deferred tax liabilities	2,555	1,860
Taxes on salaries	2,828	2,771
Other taxes	450	12,059
	42,919	46,519

23. Other liabilities

<i>In Millions of Lebanese Pound</i>	2019	2018
Technical reserves for insurance companies	97,487	97,738
Margins held against documentary credits	38,264	33,922
Accrued expenses	13,011	6,404
Due to reinsurance	10,707	17,115
Unearned revenue	4,726	6,435
Other creditors	27,918	22,746
Other payables	5,170	5,147
	197,283	189,507

24. Provisions for risks and charges

<i>In Millions of Lebanese Pound</i>	2019	2018
Provision for structural exchange position (a)	5,611	5,611
Provision for employee benefits obligations (b)	41,441	39,622
Provision for risks and charges	13,268	9,296
Expected credit loss provisions for off-balance sheet items	2,148	1,809
Provision for loss on foreign currency position (c)	6,079	291
	68,547	56,629

(a) Provision for structural exchange position

This provision is taken as per the requirement of Central Bank Circular number 32 related to foreign exchange position.

(b) Provision for employee benefits obligations

The movement in the provision for employee benefits obligations during the year was as follows.

<i>In Millions of Lebanese Pound</i>	2019	2018
Balance at 1 January	39,622	36,926
Provision raised during the year	5,364	4,953
Provision used during the year	(3,545)	(2,257)
Balance at 31 December	41,441	39,622

(c) Provision for loss on foreign currency position

As per local regulatory requirements the Group provides for an amount equivalent to 5 percent of its year-end foreign exchange position.

25. Share capital and share premium

At 31 December 2019 and 2018, the authorised and issued share capital comprised 23,400,000 ordinary shares with a nominal value of LBP 11,000. All shares rank equally with regards to the Bank's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared from time to time. All issued shares are fully paid.

Dividends

The following dividends were declared and paid by the Bank during the year:

<i>In Millions of Lebanese Pound</i>	2019	2018
LBP 1689.36 per ordinary share (2018: LBP1701.03)	39,531	39,804
LBP 11,080 per preferred share (2018: 11,080)	11,080	11,080
	50,611	50,884

Issue of preferred shares

In July 2013, the extraordinary general assembly of shareholders approved the issue of 1,000,000 perpetual non-cumulative preferred shares with a nominal value of LBP 11,000; increasing the share capital of the Bank from LBP 257,400 million to LBP 268,400 million, thus an increase of LBP 11,000 million. The share premium amounted to LBP 139,750 per share.

Shareholders' cash contribution to capital

On 12 December 2019, the Extraordinary General Assembly of shareholders and based on the Central Bank of Lebanon intermediate circular 532 dated November 4, 2019 described below, approved the increase of capital required by the Central Bank of Lebanon by 10% of ordinary shareholders' equity (common equity Tier One) through contributions in dollars within a maximum period of 31 December 2019. The shareholders' cash contribution to capital amounted to LBP 70,338 million.

The circular required an increase by 20% of the Group's common equity tier one as at 31 December 2018. The contributions should be in US dollars and 50% should be executed by the end of 2019, and the remaining by 30 June 2020.

26. Capital reserves

<i>In Millions of Lebanese Pound</i>	2019	2018
Legal reserve (a)	146,930	135,787
Reserve appropriated for capital increase (b)	12,133	11,467
	159,063	147,254

(a) Legal reserve

The Lebanese Commercial Law and the Group's articles of association stipulate that 10% of the net annual profits be transferred to legal reserve. This reserve is not available for distribution.

(b) Reserve appropriated for capital increase

In compliance with Banking Control Commission circular no. 173, the gain realised on the sale of an asset acquired in settlement of debt (note 16) should be appropriated from retained earnings and recorded as "Reserve for capital increase".

27. Fair value reserve

<i>In Millions of Lebanese Pound</i>	2019	2018
Fair value reserve	(27,117)	356

The movement in fair value reserve is as follows:

<i>In Millions of Lebanese Pound</i>	2019	2018
Balance at 1 January	356	52,411
Impact of adopting IFRS 9	–	(9,184)
Restated balance at 1 January	356	43,227
Net change in fair of financial assets at fair value through other comprehensive income	(27,473)	20,099
Sale of VISA Class "C"	–	(62,970)
Balance at 31 December	(27,117)	356

28. Other reserves

<i>In Millions of Lebanese Pound</i>	2019	2018
General non-distributable reserves*	154,566	154,566
Real estate revaluation reserve**	15,656	15,656
Reserve for property acquired in settlement of debt***	21,587	20,004
Other reserves	205,277	198,238
	397,086	388,464

*As per the Central Bank Circular no.143, this reserve was established mainly by transfer from other reserves to general non-distributable reserves.

** The real estate revaluation reserve arose from the revaluation of investment properties and property and equipment.

*** This reserve is related to properties held in settlement of debt and is not available for distribution (see Note 16).

29. Interest income, Net of tax

<i>In Millions of Lebanese Pound</i>	Note	2019	2018
Interest income			
Cash and balances with Central Banks		590,106	394,264
Balances with other banks and financial institutions		14,140	14,337
Loans and advances to customers		343,505	335,066
Loans and advances to related parties	40	3,347	2,372
Financial assets at amortised cost		320,215	336,158
Financial assets at fair value through other comprehensive income		11,186	13,979
Tax on interest		(82,464)	(40,406)
Total interest income		1,200,035	1,055,770
Interest expense			
Loans and deposits from Central Banks		(18,118)	(17,170)
Deposits from other banks and financial institutions		(35,238)	(17,356)
Deposits from customers		(924,094)	(713,180)
Deposits from related parties	40	(23,986)	(21,680)
Subordinated debt issued		(11,682)	(10,112)
Subordinated notes		-	(865)
Total interest expense		(1,013,118)	(780,363)
Net interest income		186,917	275,407

30. Net fee and commission income

<i>In Millions of Lebanese Pound</i>	2019	2018
Fee and commission income		
Fees on credit cards and ATM transactions	40,458	38,921
Fees on transactions with customers	21,530	27,483
Fees on various banking transactions	60,054	53,704
Fees on letters of guarantee and letters of credit	7,600	8,297
Total fee and commission income	129,642	128,405
Fee and commission expense		
Fees on credit cards and ATM transactions	(38,069)	(36,055)
Fees on various banking transactions	(36,279)	(27,981)
Total fee and commission expense	(74,348)	(64,036)
Net fee and commission income	55,294	64,369

31. Net trading income

<i>In Millions of Lebanese Pound</i>	2019	2018
Net (loss) / gain on trading portfolio	(2,528)	955
Dividend received on quoted securities	2,139	2,395
Dividend received on unquoted securities	21	43
Net gain on foreign currency position	1,290	10,885
	922	14,278

32. Net gains of financial assets at amortised cost

<i>In Millions of Lebanese Pound</i>	2019	2018
Net gain on sale of investments securities at amortised cost *	1,318	1,295
Net loss from exchange of financial assets at amortised cost	-	4
Interest paid on Islamic banking activities	-	(17)
	1,318	1,282

* Net gain on sale of investment securities at amortised cost

The LBP 1,318 million represents the amortisation of the deferred gain on certificate of deposits swap deal performed in 2016 (2018: LBP 1,322 million).

33. Net impairment on financial assets

<i>In Millions of Lebanese Pound</i>	Note	2019	2018
Net recoveries / (impairment) on loans and advances to customers and related parties	5 (b)	(11,585)	(4,366)
(Impairment) / recoveries on balances with Central Banks	5 (b)	(13,549)	3,727
Impairment on balances with other banks and financial institutions	5 (b)	(1,129)	(1,819)
Impairment on debtors by acceptances and other assets	5 (b)	(215)	(365)
Impairment on debt investment securities at amortised cost	5 (b)	(2,558)	(1,445)
Impairment on loan commitment and financial guarantee contracts	5 (b)	(251)	(761)
		(29,287)	(5,029)

34. Personnel expenses

<i>In Millions of Lebanese Pound</i>	Note	2019	2018
Wages and salaries		84,614	88,814
Compulsory social security obligations		11,953	12,719
Employee benefits obligation		5,771	5,310
Board of Directors attendance fees	41	2,877	2,697
Other personnel expenses		18,875	17,785
		124,090	127,325

35. Other expenses

<i>In Millions of Lebanese Pound</i>	2019	2018
Taxes and similar disbursements	8,246	7,251
Advertising expenses	7,747	7,810
Premiums for the guarantee of deposits	6,836	6,797
Professional fees	5,591	5,693
Information technology costs	4,366	4,693
Repairs and maintenance charges	3,581	3,548
Electricity, water and heating charges	3,535	3,848
Computer maintenance charges	2,838	3,674
Transportation charges	2,784	2,540
Board of directors attendance allowance	2,764	2,770
Insurance premiums	2,715	3,072
Postage and telecommunication charges	2,459	2,452
Stationery and office supplies	1,234	1,401
Rental and building charges	1,007	7,369
Training charges	704	551
Travel and entertainment fees	619	538
Other expenses	3,268	2,141
	60,294	66,148

36. Tax expense

<i>In Millions of Lebanese Pound</i>	2019	2018
Income tax expense on the Bank's operations	(4,713)	(20,639)
Income tax expense on subsidiaries	(1,074)	(1,267)
	(5,787)	(21,906)

Reconciliation of tax expense on the Credit Libanais SAL (standalone)'s operations in Lebanon

<i>In Millions of Lebanese Pound</i>	2019	2018
Profit before income tax	13,539	147,571
Income tax expense	(5,787)	(21,906)
Profit for the year	7,752	125,665
Current tax liability	4,550	20,000
Less: losses of branches abroad	(10,792)	(23,752)
Add: non-deductible provisions	25,223	3,110
Less: release provision subjected to tax	(701)	(7,978)
Add: non-deductible expenses	4,597	2,160
Less: dividends received	(9,188)	(14,448)
Less: tax exempt income	(971)	(146)
Taxable income	20,470	104,611
Corporate income tax expense at 17%*	3,480	17,784
Additional income tax provision	1,070	2,216
Income tax expense on foreign branches	163	639
Income tax expense	4,713	20,639

* The corporate income tax rate is 17% as required by the Ministry of Finance.

** In addition, the Ministry of Finance published a new Decision no. 1504/1 dated 22 December 2017 regarding the implementation of Article 51 of Law no. 497/2003 which states that interest income is subject to a tax rate of 10% and Banks can no longer benefit from deducting the tax on interest received when calculating the income tax.

37. Cash and cash equivalents

<i>In Millions of Lebanese Pound</i>	2019	2018
Cash and balances with Central Banks	261,801	577,284
Balances with other banks and financial institutions	509,976	922,368
Loans and deposits from Central Banks	(22,357)	(8,244)
Deposits from other banks and financial institutions	(49,889)	(67,729)
	699,531	1,423,679

38. Commitments and contingencies

<i>In Millions of Lebanese Pound</i>	2019	2018
Financing commitments		
Financing commitments given to financial institutions	264,036	377,275
Financing commitments given to customers	232,703	649,229
Guarantees		
Guarantees given to customers	216,260	250,941
Restricted and non-restricted fiduciary accounts	11,140	11,081
Commitments of signature received from financial intermediaries	46,722	38,484
Other commitments received	9,432,686	9,741,374

39. Group entities

(a) List of significant subsidiaries

The following table shows information related to the significant subsidiaries of the Group.

Company	Business activity	Country of incorporation	2019	2018
			% of control	% of control
Credit Libanais Investment Bank SAL	Banking	Lebanon	99.86	99.86
Lebanese Islamic Bank SAL	Banking	Lebanon	99.84	99.84
Cedar's Real Estate SAL	Real estate	Lebanon	99.92	99.92
Soft Management SAL	IT solutions	Lebanon	47.00	47.00
Hermes Tourism and Travel SAL	Tourism and ticketing	Lebanon	99.99	99.99
Credit Libanais d'Assurances et de Reassurances SAL	Insurance	Lebanon	66.97	66.97
Business Development Center SARL	Advertising	Lebanon	98.62	98.62
Capital Real Estate S.A.L	Real estate	Lebanon	99.00	99.00
Credilease SAL	Leasing services	Lebanon	99.26	99.26
Collect SAL	Collection services of receivables	Lebanon	44.94	44.94
Credit International SA	Banking	Senegal	89.13	89.13
Credit Libanais SAL (Limassol Branch)	Banking	Cyprus	Branch	Branch
Credit Libanais SAL (Bahrain Branch)	Banking	Bahrain	Branch	Branch
Credit Libanais SAL (Baghdad Branch)*	Banking	Iraq	Branch	Branch
Credit Libanais SAL (Erbil Branch)*	Banking	Iraq	Branch	Branch

* Closed in 2020.

(b) Significant restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which banking subsidiaries operate.

The supervisory frameworks require banking subsidiaries to keep certain levels of regulatory capital and liquid assets, limit their exposure to other parts of the Group, and comply with other ratios.

(c) NCI in subsidiaries

The following table summarises the information relating to the Group's subsidiary that has a material NCI.

<i>In Millions of Lebanese Pound</i>	2019	2018
Assets	211,540	213,949
Liabilities	116,664	121,280
Net assets	94,876	92,669
Carrying amount of NCI	31,338	30,609
Revenue	18,071	22,343
Profit	14,761	21,975
Profit allocated to NCI	4,876	7,258
Cash flows from operating activities	(507)	4,747
Cash flows used in investing activities	66,470	(4,249)
Cash flows used in financing activities	(12,531)	(13,816)
Net decrease in cash and cash equivalents	53,432	(13,318)

40. Related parties

(a) Transactions and balances with key management personnel

Key management personnel and their immediate relatives have transacted with the Group during the year as follows:

<i>In Millions of Lebanese Pound</i>	2019	2018
Direct facilities and credit balances		
Loans and advances	5,557	8,355
Deposits	186,431	298,728
Indirect facilities		
Letters of guarantees	27	28

Interest rates charged on balances outstanding from related parties are equal to the internally approved rates for employees of the Bank.

(a) Transactions and balances with key management personnel

No impairment losses have been recorded against balances outstanding during the year with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at the year end.

Key management personnel compensation for the year comprised:

<i>In Millions of Lebanese Pound</i>	2019	2018
Short-term employee benefits	8,988	9,764

Board of Directors attendance fees amounted to LBP 2,764 million (2018: LBP 2,770).

(b) Balances with associated companies

<i>In Millions of Lebanese Pound</i>	2019	2018
Direct facilities and credit balances		
Loans and advances	8,938	8,645
Deposits	34,719	33,727
Indirect facilities		
Letters of guarantees	1,176	1,176

(c) Loans and advances to related parties

<i>In Millions of Lebanese Pound</i>	2019	2018
Loans and advances to shareholders, directors and other key management personnel	5,630	8,411
Loans and advances to associated companies	13,732	13,023
Accrued interest receivable	4	3
Expected credit loss allowance	(4,867)	(4,434)
	14,499	17,003

(d) Interest income on loans and advances to related parties

<i>In Millions of Lebanese Pound</i>	2019	2018
Interest income on loans and advances to related parties	3,347	2,372

(e) Deposits from related parties

<i>In Millions of Lebanese Pound</i>	2019	2018
Term deposits	105,549	169,707
Current deposits	26,213	11,208
Savings	89,388	151,540
Accrued interest payable	1,296	2,397
	222,446	334,852

(f) Interest expense on deposits from related parties

<i>In Millions of Lebanese Pound</i>	2019	2018
Interest expense on deposits from related parties	23,986	21,680

41. Leases**A - Lease as Lessee (IFRS 16)****(i) Right-of-use assets**

<i>In Millions of Lebanese Pound</i>	Amount
2019	
Balance at 1 January	35,252
Depreciation charge for the year	(5,596)
Balance at 31 December	29,656

(ii) Amounts recognised in profit or loss

<i>In Millions of Lebanese Pound</i>	2019
2019 - Leases under IFRS 16	
Interest on lease liabilities	2,418
Expense relating to short-term leases	1,007
2018 - Operating leases under IAS 17	
Lease expense	6,087

(iii) Amounts recognised in statement of cash flows

<i>In Millions of Lebanese Pound</i>	2019
Total cash outflows for leases	2,775

(iv) Lease liability

<i>In Millions of Lebanese Pound</i>	Amount
Balance at 1 January (including prepayment)	28,484
Interest on lease liabilities	2,418
Total cash outflows for leases	(2,775)
Balance at 31 December	28,127

42. Subsequent events

1- Subsequent to the balance sheet date, and as a result of the social unrest and demonstrations prevailing in the country, the banking community as a whole, has been exposed to business disruption and bank run to which in conjunction with the further downgrade of sovereign credit risk, have raised risks and uncertainties associated with economic and political conditions in the Republic of Lebanon, including but not limited to, access to foreign currency, capital flows and free out-flow of movement of funds, and other adverse factors contributing to disruption of operations. On 9 March 2020, Lebanon announced its default to settle the Eurobond debt payment. The Group expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

2- The Coronavirus outbreak since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations in Lebanon and its financial position subsequent to the financial year-end. The Group considers this event to be a non-adjusting event after the reporting period. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

3- On the 4th of August 2020, a massive explosion happened at Beirut port causing casualties, injuries and property damage with the full range of possible effects unknown.

4- On the 27th of August 2020, the board of directors approved the Group's restructuring plan by which Credit Libanais SAL acquires the assets and liabilities of Credit Libanais Investment Bank SAL, a wholly owned subsidiary as of 31 December 2019 (see note 39).

43. Comparative figures

Certain comparative figures have been reclassified in order to comply with the basis of preparation adopted in the current year.



Board of Directors

Chairman General Manager

Dr. Joseph Torbey

Members

H.E. Dr. Samir Makdessi

H.E. Mr. Jacques Joukhadarian

Dr. Chafic Moharram

H.E. Mr. Michel Haddad

Dr. Michel Khadige

Mr. Moustafa Alaeddine

Board of Directors	183
Management's Discussion and Analysis of Results	184
Statement of Financial Position	187
Statement of Comprehensive Income	189
Statement of Cash Flows	190
Statement of Changes in Equity	192

Management's Discussion and Analysis of Results

Basis of Presentation

The following discussion and analysis have been prepared based on the audited consolidated financial statements of Credit Libanais Investment Bank ("CLIB") as at year end 2019 and 2018 and on selected financial information.

Analysis of Financial Position

1) Statement of Financial Position

a) Total Assets

CLIB's Assets have witnessed a decrease of 13.40 % in 2019, particularly in liquid assets which was substantially matched by a decrease in funding consisting primarily of customer deposits.

<i>In Millions of Lebanese Pound</i>	2019	2018	% Change
As at end of			
Cash and balances with Central Banks	150,143	113,740	32.01%
Balances with other banks and financial institutions	366	2,162	-83.05%
Head Office, branches, parent company, sisters, fin. Inst. & subs.	197,332	310,838	-36.52%
Loans and advances to customers	270,624	309,522	-12.57%
Loans and advances to related parties	125	143	-12.78%
Financial assets at fair value/OCI	8,054	8,494	-5.18%
Financial assets at fair value/Profit or Loss	2,880	3,068	-6.14%
Financial assets at amortised cost	153,483	166,475	-7.80%
Investment in associates	44,077	44,077	0.00%
Property & equipment	1,004	1,072	-6.35%
Right-of-use assets	464	-	
Assets held for sale	14,890	14,890	0.00%
Other assets	2,073	1,829	13.37%
Total Assets	845,515	976,310	-13.40%

b) Liabilities & Shareholders' Equity

Total Liabilities showed a decrease of 15.89 % to reach LBP 687.99 billion in 2019 compared to LBP 817.93 billion at year end 2018. The 17.52 % decrease in total deposits, which constitute 94.76% of CLIB's liabilities, was the main driver behind this decrease.

On the equity side, shareholders' equity decreased to LBP 157.53 billion in 2019, a decrease of 0.54% compared to LBP 158.38 billion recorded in 2018.

The following table sketches the development of the liability and equity accounts during the period 2019-2018:

<i>In Millions of Lebanese Pound</i>	2019	2018	% Change
As at end of			
Loans and deposits with Central Banks	5,200	5,856	-11.21%
Balances with other banks and financial institutions	16,666	17,276	-3.53%
Head Office, branches, parent company, sisters, fin. Inst. & subs.	9,100	-	100%
Deposits from customers	624,290	765,062	-18.40%
Deposits from related parties	27,671	25,431	8.81%
Current tax liabilities	1,805	1,585	13.87%
Other liabilities	1,045	800	30.72%
Lease Liabilities	482	-	100%
Provision for risks and charges	1,731	1,916	-9.69%
TOTAL LIABILITIES	687,990	817,926	-15.89%
SHAREHOLDERS' EQUITY			
Share capital-Common Shares	80,000	80,000	-
Legal Reserve	28,835	28,077	2.70%
Capital reserves	4,792	4,725	1.41%
Other Reserves	16,366	16,196	1.05%
Reserve for property acquired in settlement of debt	10,750	10,216	5.23%
Fair value reserve	253	618	-59.07%
Retained Earnings	17,193	10,968	56.74%
Result of the year	(664)	7,584	-108.75%
TOTAL SHAREHOLDERS' EQUITY	157,525	158,384	-0.54%
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	845,515	976,310	-13.40%

The following table portrays the evolution of CLIB's sources and uses of funds during the period 2019-2018:

<i>In Millions of Lebanese Pound</i>	2019	2018	% of total sources
Sources of Funds			
As at end of			
Head Office	9,100	-	1.38%
Customers' deposits	624,290	765,062	94.44%
Deposits from related parties	27,671	25,431	4.19%
Total	661,061	790,493	100.00%

The above table clearly states that CLIB's financing is sourced mostly from customer deposits

<i>In Millions of Lebanese Pound</i>	2019	2018	% of total Uses
As at end of			
Uses of Funds			
Head Office, branches, parent company, sisters, fin. Inst. & subs.	197,332	310,838	42.16%
Loans & advances to customers	270,624	309,522	57.82%
Loans & advances to related parties	125	143	0.03%
Total	468,081	620,503	100.00%

“On the fund’s utilization front, loans and advances to customers, registered a YOY decrease of 12.57 %, and an increase of 57.84% share of the total fund utilization in 2019 compared to 49.91% in 2018.

On the other hand, CLIB’s current account with the Head Office, branches and parent company has witnessed a 36.52% decrease in 2019 to constitute the bulk of CLIB’s funds deployment at a ratio of 42.16% in 2019 compared to 50.09% in 2018.”

2) Statement of Comprehensive Income

Credit Libanais Investment Bank posted after tax a net Loss of LBP 0.66 billion in 2019, a decrease of 108.75 % from the LBP 7.58 billion of Profits registered in 2018.

The following table highlights the yearly change of the major items in CLIB’s statement of income:

<i>In Millions of Lebanese Pound</i>	2019	2018	% Change
Interest and similar income		62,423	2.86%
Tax on Interest (51)		(987)	32.06%
Interest and similar expense		(45,614)	9.33%
Net interest income		15,822	-17.61%
Fees & commissions income		433	-53.97%
Fees & commissions expense		(800)	-85.16%
Net fees & commissions income / (loss)		(367)	-121.94%
Net trading income		(80)	-5.13%
Net gain on financial investments		-	-
Other operating income		2,061	0.63%
Total operating income		345	-94.89%
Credit loss expense		17,781	-14.90%
Net reversal of impairment losses on financial investments		(789)	702.35%
Net operating income		-	-
Staff costs		16,992	-51.74%
Depreciation and amortization		(4,441)	-6.26%
Interest expense-lease liabilities		(102)	248.87%
Depreciation on right-of-use assets		(4,165)	-7.69%
Other operating expenses		(8,708)	-3.95%
Total Operating Expenses		8,284	-101.98%
Result before tax		(700)	-28.57%
Income Tax expense		7,584	-108.75%
Result of the year			
Other comprehensive income		(406)	-10.10%
Net change in fair value		7,178	-114.33%
Total comprehensive (loss) income for the year, net of tax			

Profits of CLIB are stated on an individual basis and do not include the share of the bank in the companies in which it holds a direct interest.

After consolidating the share of CLIB in the profit of affiliated companies, Net profits for the year 2019 would aggregate LBP 3.60 billion compared to LBP 12.70 billion in 2018.

CLIB’s Pre-tax consolidated return on average equity and on average assets reached 2.55 % and 0.45 % respectively in 2019, compared to 8.33 % and 1.25% respectively in 2018.

Statement of Financial Position

as at 31 December

<i>In Millions of Lebanese Pound</i>	2019	2018
ASSETS		
Cash and balances with the Central Bank	150,143	113,740
Balances with other banks and financial institutions	366	2,162
Head office,branches, parent company, foreign sister financial institutions & subsidiaries	197,332	310,838
Loans and advances to customers	270,624	309,522
Loans and advances to related parties	125	143
Financial assets at Fair value through other comprehensive income	8,054	8,494
Financial assets at Fair value through Profit or Loss	2,880	3,068
Financial assets at amortized cost	153,483	166,475
Investments in associates	44,077	44,077
Property and equipment	1,004	1,072
Right-of-use assets	464	-
Assets held for sale	14,890	14,890
Other assets	2,073	1,829
TOTAL ASSETS	845,515	976,310
LIABILITIES		
Loans and deposits with Central Banks	5,200	5,856
Head office,branches, parent company, foreign sister financial institutions & subsidiaries	16,666	17,276
Deposits from customers	624,290	765,062
Deposits from related parties	27,671	25,431
Current tax liabilities	1,805	1,585
Other liabilities	1,045	800
Lease liabilities	482	-
Provision for risks and charges	1,731	1,916
TOTAL LIABILITIES	687,990	817,926

In Millions of Lebanese Pound

	2019	2018
SHAREHOLDERS' EQUITY		
Share capital - Common shares	80,000	80,000
Legal reserve	28,835	28,077
General Banking risks reserve	-	-
Capital reserves	4,792	4,725
Other reserves	15,110	14,940
Reserve for property acquired in settlement of debt	10,750	10,216
Special Reserves Against doubtful debts	1,256	1,256
Fair value reserve	253	618
Retained Earnings	17,193	10,968
Result of the year	(664)	7,584
TOTAL SHAREHOLDERS' EQUITY	157,525	158,384
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	845,515	976,310

Statement of Comprehensive Income

as at 31 December

In Millions of Lebanese Pound

	2019	2018
Interest and similar income	64,211	62,423
Tax on Interest (51)	(1,303)	(987)
Interest and similar expense	(49,871)	(45,614)
Net interest income	13,037	15,822
Fees and commissions income	199	433
Fees and commissions expense	(119)	(800)
Net fees and commission income	80	(367)
Gain on financial investments	2,074	2,061
Net trading income	(76)	(80)
Other operating income	18	345
Total Operating Income	15,133	17,781
Credit loss expense	(6,329)	(789)
Net reversal of impairment losses on financial investments	(603)	-
Net Operating Income	8,201	16,992
Staff costs	(4,163)	(4,441)
Depreciation and Amortisation	(87)	(102)
Interest expense - lease liabilities	(38)	-
Depreciation on right-of-use assets	(232)	-
Other operating expenses	(3,845)	(4,165)
Total Operating Expenses	(8,365)	(8,708)
Result Before Tax	(164)	8,284
Income Tax Expense	(500)	(700)
Result of net the Period	(664)	7,584
Change in Fair Value	(365)	(406)
Total comprehensive (loss) income for the year	(1,029)	7,178

Statement of Cash Flows

as at 31 December

<i>In Millions of Lebanese Pound</i>	2019	2018
<i>Cash Flows From Operating Activities</i>		
Result before tax	(164)	8,284
<i>Adjustments for:</i>		
Depreciation and Amortization	87	102
Net Impairment Loss on loans and advances to customers	6,467	789
Net Provision for End of service indemnity	70	281
Loss on sale of shares in an associate	-	(67)
Net impairment loss on doubtful loans	19	-
Recovered amounts from doubtful loans	(157)	-
Impairment loss on financial assets	603	-
Interest expense on lease liability	38	-
Depreciation on right of use assets	232	-
	7,195	9,389
<i>Change in:</i>		
Cash and balances with the central bank	(34,039)	25,509
Head office, branches, parent company, foreign sister financial institutions & subsidiaries	74,927	269,934
Loans and deposits with central bank	(658)	600
Loans and deposits with other banks and financial institutions	(1)	-
Loans and deposits with other banks and financial institutions	(9,635)	(23,175)
Loans and advances to customers and related parties	32,587	42
Other assets	(244)	33
Deposits from customers	(140,772)	(154,722)
Deposits from related parties	2,240	(671)
Current Tax Liabilities	420	(145)
Other liabilities	246	(46)
	(67,734)	126,748

<i>In Millions of Lebanese Pound</i>	2019	2018
Income tax paid	(700)	(1,301)
Settled End of Service indemnity	(14)	(687)
Other Provisions	(242)	614
Payment of lease liability	(251)	-
Net cash flows provided from operating activities	(68,941)	125,374
<i>Cash Flows From Investing Activities</i>		
Acquisition of Property and Equipment	(19)	(8)
Net change in assets acquired in recovery of bad debts	-	(142)
Net change in investment securities	13,044	(95,630)
Net cash provided from investing activities	13,025	(95,780)
<i>Cash flows from financing activities</i>		
Distribution of dividends	-	(6,000)
Effect of exchange rate fluctuation on cash & cash equivalent held	170	369
Transfer from Reserves to ECL	-	(9,045)
Net cash provided from financing activities	170	(14,676)
Net decrease/increase in cash and cash equivalents	(55,746)	14,918
Cash and cash equivalents at 1 January	89,956	75,038
Cash and cash equivalents at 31 December	34,210	89,956

Statement of Changes in Equity

as at 31 December

(million LBP)	Share Capital- Common Shares	Legal Reserve	General Banking Risks Reserve	Capital Reserve		Other Reserves	Reserve For Property Acquired in Settlement of Debt	Special Reserves Against Doubtful Debts	Fair Value Reserve	Retained Earnings	Profit For the Year	Total Equity
Balance at 31 December 2017	80,000	26,977	18,231	2,807		15,661	8,930	1,256	1,024	-	10,996	165,882
Impact Of IFRS9	-	-	-	-		(4,402)	-	-	-	-	-	(4,402)
Balance at 01 January 2018	80,000	26,977	18,231	2,807		11,259	8,930	1,256	1,024	-	10,996	161,480
Profit allocation 2017	-	1,100	-	672		-	1,286	-	-	7,938	(10,996)	-
Transfer to retained earnings	-	-	-	-		(10,832)	-	-	-	10,832	-	-
Distribution of dividends	-	-	-	-		-	-	-	-	(6,000)	-	(6,000)
Profits from sale of properties in recovery of bad debts	-	-	-	1,246		(1,246)	-	-	-	-	-	-
Net Change of foreign financial assets	-	-	-	-		369	-	-	-	-	-	369
Transfer to other reserves	-	-	(18,231)	-		20,033	-	-	-	(1,802)	-	-
Transfer from Reserves to ECL	-	-	-	-		(4,643)	-	-	-	-	-	(4,643)
Profit for the year	-	-	-	-		-	-	-	-	-	7,584	7,584
Net Change in fair value of financial assets at fair value through OCI	-	-	-	-		-	-	-	(406)	-	-	(406)
Total comprehensive income for the year 2018	-	-	-	-		-	-	-	(406)	-	7,584	7,178
Balance at 31 December 2018	80,000	28,077	-	4,725		14,940	10,216	1,256	618	10,968	7,584	158,384
Profit allocation 2018	-	758	-	-		-	534	-	-	6,292	(7,584)	-
Profits from sale of properties in recovery of bad debts	-	-	-	67		-	-	-	-	(67)	-	-
Net Change of foreign financial assets	-	-	-	-		170	-	-	-	-	-	170
Losses for the year	-	-	-	-		-	-	-	-	-	(664)	(664)
Net Change in fair value of financial assets at fair value through OCI	-	-	-	-		-	-	-	(365)	-	-	(365)
Total comprehensive income for the year 2019	-	-	-	-		-	-	-	(365)	-	(664)	(1,029)
Balance at 31 December 2019	80,000	28,835	-	4,792		15,110	10,750	1,256	253	17,193	(664)	157,525



The Lighthouse – Batroun, Lebanon



Board of Directors

Chairman General Manager

Mr. Elie Torbey

Members

Credit Libanais SAL

Mr. Jacques Sehnaoui

The Honorable Mr. Said Mirza

Mr. Khaldoun Barakat

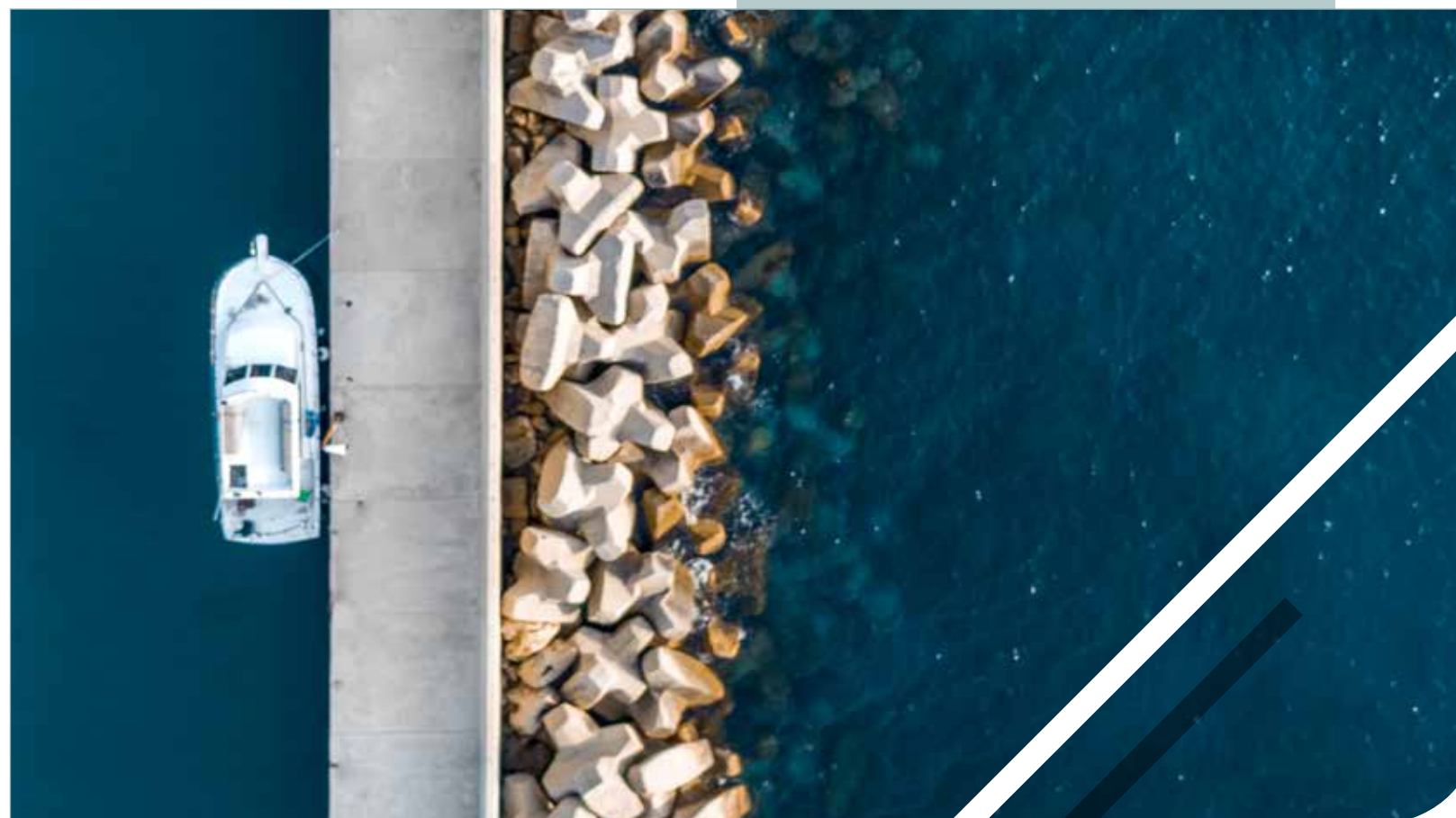
H.E. Mr. Jacques Joukhadarian

Agence Generale de Courtage

d' Assurances (AGCA) SAL

Credit Libanais D'Assurances et de Reassurances (CLA) SAL

Board of Directors	195
Statement of the Chairman General Manager	196
Management's Discussion and Analysis of Results	197
Insurance Activities	198
Statement of Financial Position	199
Statement of Comprehensive Income	200
Statement of Changes in Equity	201
Statement of Cash Flows	201





● Statement of the Chairman General Manager

The year under review has been very challenging for Lebanon namely towards its ends, as political and economic uncertainties aggravated in the country, and public health and economic crisis worked their way at home and around the world.

In the complex and grim operating environment, Credit Libanais d'Assurances et de Réassurances, CLA recorded LBP 14.761 billion after tax profits as at year end 2019, compared to LBP 21.974 billion in 2018, thereby showing a 32.82 % y-o-y decrease, mainly due to the decline in operating and financial incomes.

Stagnation in most of the sectors of the national economy was reflected in slower growth in premiums written by Lebanese insurers. In this context, and owing to its conservative business model, Credit Libanais d'Assurances et de Réassurances, CLA continued to navigate through the rough waters, and positively sustain activities in terms of performance and services.

Furthermore, CLA developed the life business over the course of 2019 and introduced a new Term Life plan based on customers' requirements.

I want to conclude my remarks by expressing my deep gratitude to CLA Board of Directors for their continuing support, and of course to CLA employees who deserve our thanks and appreciation, and to our loyal customers, for their trust and commitment. I remain confident that we shall navigate through these tough conditions together and hope to reach better days very soon.

Sincerely,

Elie A. TORBEY
Chairman General Manager - Credit Libanais d'Assurances et de Réassurances
Chairman – Association des Compagnies d'Assurances au Liban

Management's Discussion and Analysis of Results

A year in review

CLA recorded a slight decrease in total assets in 2019. The company's total assets amounted to LBP 211.540 billion as compared to LBP 213.950 billion in 2018 with a decrease of 1.12 %.

Cash flow statement for the company at the end of the year 2019 shows that net cash provided from operating activities decreased from LBP 4.747 billion in 2018 to a negative result of 507 million in 2019.

Total gross premiums written amounting to LBP 18.071 billion for the year under review, nevertheless gross premiums written for the life insurance business amounted to LBP 10.928 billion in 2019 representing 60.48% of total gross premiums written.

The after tax profits recorded in 2019 amounted to LBP 14.761 billion as compared to LBP 21.974 billion in 2018 with a percentage decrease of 32.82 % mainly attributed to the decrease in operating and financial income.

Performance by class of business

MOTOR ●

The motor line of business showed a slight increase in premiums from LBP 3.556 billion in 2018 to LBP 2.135 billion for the year under review.

The loss ratio for the motor class of business for the year 2019 based on calendar year stands at 47,10 % as compared to 53.47% in 2018.

MARINE ●

Marine business showed a decrease in premiums from LBP 78 million in 2018 to 50 million for 2019.

FIRE ●

The gross premiums written for the fire business in 2019 totaled LBP 2.438 billion compared to LBP 2.504 billion achieved in the year 2018 thus recording a decrease of 2.64 %

LIFE ●

In 2019, the generated income under the life business totaled LBP 10.928 billion as compared to LBP 13.773 billion in 2018 with a decrease of 20.65%. The loss ratio recorded for the year under review is 126 % compared to the loss ratio of 13.86 % recorded in the year 2018, mainly due to an exceptional major claim recorded in 2019.

CASUALTY ●

Casualty business premium income generated for the year 2019 amounted to LBP 2.520 billion as compared to LBP 2.432 billion in 2018, a percentage increase of 3.62%. The lines of business falling under the casualty class are mainly hospitalization, workmen's compensation, personal accident, theft on property, etc. The loss ratio calculated on this line of business is 17.84% in 2019 compared to 27.66 % in 2018.

TECHNICAL RESERVES ●

At year-end 2019, a decrease in unexpired risks reserves amounted to LBP 88.443 billion with a difference of LBP 153 million as compared to LBP 88.596 billion in 2018 including premium deficiency reserves. Outstanding claims reserves decreased from LBP 9.142 billion in 2018 to LBP 9.044 billion in 2019 including IBNR due to a decrease in the number of claims recorded in 2019 namely in the motor business.

As a result, CLA recorded LBP 97.487 billion as technical reserves for 2019 compared to LBP 97.737 billion in 2018, thus showing a decrease of 0.25%.

In 2019, the loss ratio, all lines of business combined, increased to 76.77% from 16.01 % in 2018.

Insurance activities

Credit Libanais insurance services are offered in coordination with Credit Libanais d'Assurances et de Reassurances (CLA) SAL, the 66,97% owned bancassurance subsidiary.

CLA offers a diversified product portfolio and has recently increased the availability to products in the motor, marine, fire and life lines of business.

Insurance Products

- **SAFEDRIVE** A comprehensive car insurance scheme.
- **SAFETRAVEL** A Travel Insurance program providing worldwide emergency medical assistance.
- **A LA CARTE** A Travel Insurance, purchase protection and wallet cover service linked to bank cards.
- **SAFEWAY** A third-party car insurance scheme covering death and total personal disability for the driver and his family.
- **SAFEMIND** A personal accident insurance service offering worldwide coverage.
- **SAFE STEPS** A long-term savings program, providing children with financial assistance during university education.
- **SAFEGUARD** A personal accident policy which provides the insured and their family with worldwide coverage for personal accidents, including death and disability.
- **SAFEFUTURE** A long-term retirement plan that ensures an income during retirement years to better face life needs.
- **SAFEHOME** A long-term savings plan that allows parents to constitute the down-payment for their children to buy a house and benefit from a preferential interest rate.
- **LIFEX5** A Term Life Insurance plan that provides customers with some financial security. In case of sudden death or permanent disability of policy holder, decent living standards and expenses remain in place for loved ones.



Statement of Financial Position

as at 31 December 2019

<i>(Thousand LBP)</i>	2019	2018
ASSETS		
Property and equipment	357,964	478,530
Intangible assets	89,188	123,877
Deferred acquisition costs	8,330,772	9,356,893
Financial assets at amortized cost	4,559,155	7,269,871
Equity investments	15,976,416	15,613,478
Premiums receivable	2,641,637	2,510,460
Right-of-use assets	2,449,243	-
Receivables from related party	6,030,000	6,030,000
Reinsurance balances receivable	3,777,678	3,693,394
Other receivables	60,424	54,100
Reinsurance assets	15,752,907	16,098,542
Bank deposits	146,013,694	149,769,498
Cash and cash equivalents	5,501,330	2,951,063
TOTAL ASSETS	211,540,408	213,949,706
Equity and liabilities		
Equity		
Capital	10,005,000	10,005,000
Legal reserve	3,335,000	3,335,000
Other reserves	66,774,266	57,355,032
Profit for the year	14,761,338	21,974,859
Total equity	94,875,604	92,669,891
LIABILITIES		
Insurance liabilities	97,486,903	97,737,523
Unearned reinsurance commission	2,581,438	2,724,510
Retirement benefits obligations	692,361	901,203
Lease liabilities	2,559,031	-
Other payables and accruals	391,184	453,785
Reinsurance balances payable	10,707,049	17,028,789
Reinsurance deposits	1,171,530	1,147,166
Taxes payable	1,075,308	1,286,840
Total liabilities	116,664,804	121,279,815
Total equity and liabilities	211,540,408	213,949,706

Statement of comprehensive income

as at 31 December 2019

<i>(Thousand LBP)</i>	2019	2018
Insurance premium revenue	18,071,181	22,343,278
Insurance premium ceded to reinsurers	(9,359,775)	(9,608,170)
Net insurance premium revenue	8,711,406	12,735,108
Change in unearned premium revenue	4,804,384	8,637,042
Net earned premium	13,515,790	21,372,150
Net investment income	11,714,679	9,800,531
Reinsurance commission income and profit sharing	3,739,638	2,929,256
Other operating (loss)/income	(6,419)	266,671
Net income	28,963,688	34,368,608
Insurance claims expenses	(15,997,705)	(5,701,728)
Insurance claims recovered from reinsurers	13,608,067	3,130,739
Change in outstanding claims	100,601	(13,699)
Net insurance claims	(2,289,037)	(2,584,688)
Expense for acquisition of insurance contracts	(3,081,567)	(3,239,914)
Expense for administration and other expenses	(5,532,548)	(5,566,956)
Depreciation and amortization expense	(160,200)	(183,037)
Depreciation on right-of-use assets	(526,920)	-
Interest expense - lease liabilities	(201,999)	-
Impairment loss recognized on investment in associates	(500,000)	(500,000)
Impairment loss recognized on financial assets at amortized cost	(1,536,519)	-
Provision/Write - back of retirement benefits obligations net	63,318	152,850
Net foreign exchange (loss)/profit	(630)	12,735
Net allowance for premiums receivable	(83,409)	(110,896)
Profit before tax	15,114,177	22,348,702
Income tax expense	(352,839)	(373,843)
Total comprehensive income for the year	14,761,338	21,974,859

Statement of changes in equity

as at 31 December 2019

<i>(Thousand LBP)</i>	Capital	Legal Reserve	Other Reserves	Profit for the Year	Total
Balance as at 1 January 2018	10,005,000	3,335,000	50,629,600	18,753,057	82,722,657
Allocation of 2017 profit	-	-	18,753,057	(18,753,057)	-
Dividends and Bonuses distributed	-	-	(12,027,625)	-	(12,027,625)
Profit for the year 2018	-	-	-	21,974,859	21,974,859
Balance as at 31/12/2018	10,005,000	3,335,000	57,355,032	21,974,859	92,669,891
Allocation of 2018 profit	-	-	21,974,859	(21,974,859)	-
Dividends and Bonuses distributed	-	-	(12,555,625)	-	(12,555,625)
Profit for the year 2019	-	-	-	14,761,338	14,761,338
Balance as at 31/12/2019	10,005,000	3,335,000	66,774,266	14,761,338	94,875,604

Statement of cash flows

as at 31 December 2019

<i>(Thousand LBP)</i>	2019	2018
Operating activities		
Profit before tax	15,114,177	22,348,702
Adjusted for:		
Depreciation and amortization expenses	160,200	183,037
Depreciation on right-of-use assets	526,920	-
Interest expense - lease liabilities	201,999	-
Impairment loss on investment in associates	500,000	500,000
Impairment loss on financial assets at amortized cost	1,536,519	-
Provision/Write-back net retirement benefit obligations	(63,318)	(152,850)
Interest income	(11,526,593)	(9,675,082)
Interest expense and related charges	96,234	158,870
Loss from sale of property and equipment	142	295
Allowance for premiums receivable	83,409	110,895
Change in Right-of-use assets	(2,651,242)	-
Change in lease liabilities	2,032,112	-
Change in other payables and accruals	(62,600)	(192,045)
Change in other receivables	(6,323)	(20,182)
Change in reinsurance assets	345,635	2,354,962
Change in insurance liabilities	(250,620)	(10,978,307)
Change in unearned reinsurance commission	(143,072)	(187,699)
Change in deferred acquisition cost	1,026,121	473,318
Change in reinsurance balances payable	(6,321,740)	1,477,506
Change in taxes payable	(190,528)	(55,080)
Change in reinsurance balances receivable	(84,284)	(11,723)
Change in premiums receivable	(214,586)	(455,922)
Employees' end of service benefits paid	(145,524)	(695,045)
Income tax paid	(373,843)	(277,703)
Interest expense paid	(96,234)	(158,870)
Net cash (used in) / provided from operating activities	(507,039)	4,747,077

<i>(Thousand LBP)</i>	2019	2018
Cash flows from investing activities		
Acquisition of Property and equipment	(5,757)	(23,759)
Matured investments during the period	1,168,313	-
Decrease/(Increase) in bank deposits (more than 3 months)	54,141,736	(6,237,274)
Increase in unquoted equity investments	(862,938)	(7,462,125)
Proceeds from disposal of property and equipment	669	603
Interest income received	12,027,706	9,473,462
Net cash provided from/ (used in) investing activities	66,469,729	(4,249,093)
Cash flows from financing activities		
Change in reinsurance deposits	24,364	(1,787,922)
Dividends and bonuses distributed	(12,555,625)	(12,027,625)
Net cash (used in) financing activities	(12,531,261)	(13,815,547)
Net increase / (decrease) in cash and cash equivalents	53,431,429	(13,317,563)
Cash & cash equivalents at the beginning of the year	20,664,759	33,982,322
Cash & cash equivalents at the end of the year	74,096,188	20,664,759



West Bekaa, Lebanon

Branch Network and Correspondent Banks

Head Office and Branch Network	206
CL Network in Lebanon	207
Regional Branch Management	211
CL Network Worldwide	212
Correspondent Banks Network	213



Head Office and Branch Network ●

Lebanon 1518
Call Center +961 1 607100

Credit Libanais SAL

Credit Libanais Tower - Corniche El Nahr, Adlieh Roundabout
Ashrafieh 1100 2811 - Beirut, Lebanon

P.O.Box: 16-6729

Fax: +961 1 608 126 - **Phone:** +961 1 608 000

Website: www.creditlibanais.com

E-mail: info@creditlibanais.com.lb - feedback@creditlibanais.com.lb

Credit Libanais Tower - Corniche El Nahr, Adlieh Roundabout
Ashrafieh 1107 2080 - Beirut, Lebanon

P.O.Box: 11-1458

Fax: +961 1 425 637 - **Phone:** +961 1 425 671/2/3/4 - +961 1 608000

Website: www.creditlibanais.com

E-mail: info@creditlibanais.com.lb - feedback@creditlibanais.com.lb

Lebanese Islamic Bank (LIB) SAL

Hamra, Roma Street, Liberty Tower 9th Floor - Beirut, Lebanon

P.O.Box: 113/5357 Hamra - Beirut

Fax: +961 1 755 316/8 - **Phone:** +961 1 755 310/1/2/3/4/5

Website: www.lebaneseislamicbank.com.lb

E-mail: lib@libonline.com.lb

Credit Libanais Tower - Corniche El Nahr, Adlieh Roundabout
Ashrafieh 1100 2811 - Beirut, Lebanon

P.O.Box: 116-5235 Museum - Lebanon

Fax: +961 1 425 637 - **Phone:** +961 1 608 400

Website: www.creditlibanais.com

E-mail: info@creditlibanais.com.lb - feedback@creditlibanais.com.lb

Credilease SAL

Credit Libanais Tower - Corniche El Nahr, Adlieh Roundabout
Ashrafieh 1100 2811 - Beirut, Lebanon

P.O.Box: 16-6729

Phone: +961 1 425 761/2/3/4

Website: www.creditlibanais.com

E-mail: info@credilease.com

CL Network in Lebanon



Adlieh (Main Branch)

Credit Libanais Tower Corniche El Nahr, Adlieh Roundabout,

P.O.Box: 16-6729

Fax: (01) 608 047 - **Phone:** (01) 608 048/9 - 608 050

Ashrafieh

Zahret Al Ihsan St., Sausalito Bldg.

Fax: (01) 204 643 - **Phone:** (01) 216 540 - 204 641

Badaro

Badaro St., Khatoun Center

Fax: (01) 382 145 - **Phone:** (01) 387 878/9

Gefinor

Clemenceau St., Gefinor Center 1st floor, Bloc C

Fax: (01) 740 168 - **Phone:** (01) 739 830/1

Geitawi (Temporarily closed)

Facing Geitawi Hospital

Fax: (01) 582 087 - **Phone:** (01) 580 715/6

Hamra

Hamra St., Ghanem Bldg.

Fax: (01) 340 390 - **Phone:** (01) 346 960 - 342 954/5 - 350 293

Liberty Tower

Hamra, Rome St., Liberty Tower Bldg.

Fax: (01) 740 017 - **Phone:** (01) 740 017/8/9

Mar Elias

Mousaitbeh, Mar Elias St.

Fax: (01) 312 028 - **Phone:** (01) 819 116 - 312 021

Mazraa

Corniche El-Mazraa, Salam Blvd., Choueiry Bldg.

Fax: (01) 300 937 - **Phone:** (01) 313 590 - 317435

Raouche

In process of relocation

Riad El Solh

Beirut Central District, Riad El Solh Square, Asseily Bldg.

Fax: (01) 983 141 - **Phone:** (01) 983 141/2/3

Rmeil

Nahr St., Zoghbi Bldg.

Fax: (01) 445 275 - **Phone:** (01) 445 684 - 443806

Sassine

Sassine Square, Independance Ave., Credit Libanais Bldg.

Fax: (01) 203 007 - **Phone:** (01) 332 889 - 218 608

Sofil

Ashrafieh, Charles Malek Ave., Sofil Center

Fax: (01) 215 044 - **Phone:** (01) 200 028/9 - 201 292

Starco (Temporarily closed)

Mina El Hosn, George Picot St., Starco Center, Bloc A, 1st Floor

Fax: (01) 367 584

Phone: (01) 367 582/3

Verdun (Unesco)

Unesco St., Boubes Bldg.

Phone/Fax: (01) 790 511 - 790 289

Amchit

Main Road, Jafoury Bldg.

Fax: (09) 621 072 - Phone: (09) 622 781/2

Antelias

Rahabneh St., Antelias Square, St. Elie Center

Fax: (04) 419 760 - Phone: (04) 418 582/3

Awkar

Main Road

Fax: (04) 544 763 - Phone: (04) 544 760/1/2

Bauchrieh

Industrial City St., Boulghourjian Bldg.

Fax: (01) 497 332 - Phone: (01) 497 092- 497 260

Beit Mery

Notre Dame St., Dr. Sawan Bldg.

Fax: (04) 871 176 - Phone: (04) 871 916 - 871 761

Bhamdoun

Main Road, Bhamdoun Station, Mouttawah Center

Fax: (05) 260 247 - Phone: (05) 260 244/5/6/7

Bourj El Brajneh

Zein Harb Road, Yassine Bldg.

Fax: (01) 450 471 - Phone: (01) 450 470/2

Bourj Hammoud

Municipality Square, Mukhtarian & Sarkissian Bldg.

Fax: (01) 265 299 - Phone: (01) 262 393

Broummana

Main Road, Tawil Bldg.

Fax: (04) 862 105 - Phone: (04) 960 664 - 960 349

Chehim

Main Road, El Chraifeh St., Raiif Abdallah Bldg.

Fax: (07) 242 405/6 - Phone: (07) 242 405/6/7

Dekwaneh

Main Road, Rawda Roundabout

Fax: (01) 686 903 - Phone: (01) 686 794/5

Dbayeh

Sarkis Center, Next to ascension church

(Al Saoud)

Phone: (04) 547 570 - 544 549

Dora

Dora Roundabout, Bassil Bldg.

Fax: (01) 264 813 - Phone: (01) 251 832 - 260 358

Fanar

Fanar Roundabout, Samra Center

Fax: (01) 902 362 - Phone: (01) 902 360/1/2

Furn El Chebbak

Damascus Road, Ghaoui Bldg.

Phone/Fax: (01) 281 518/9

Ghazir

Ghazir Highway, Rock Center

Phone/Fax: (09) 852 701 – 852 801

Ghobeiry

Airport Blvd., Moucharafieh Square, Wazneh Bldg.

Fax: (01) 552 781 - Phone: (01) 552 781/2

Hadeth

Adib Al Chidiac St., Kafaat Intersection, Wehbe Center

Fax: (05) 466 680 - Phone: (05) 466 681/2

Haret Hreik

Hady Nasrallah Blvd., Diab and Ayad Bldg.

Fax: (01) 278 004 - Phone: (01) 278 042/9 - 278 121

Haret Hreik (Temporarily closed)

Menchieh St., Dabaja Bldg.

Fax: (01) 556 784 - Phone: (01) 556 780/1/2

Haret Sakhr

Jounieh highway, Credit Libanais Tower

Fax: (09) 636 842 - Phone: (09) 636 841 - (03) 675 004

Hazmieh

Jisr El Bacha Main Road, S & S Center

Fax: (05) 952 425 - Phone: (05) 952 426

Jal El Dib (Temporarily closed)

Main Road, Next to Mar Takla Church,

Facing The Public Garden

Fax: (04) 721 853 - Phone: (04) 721 850/1/2

Jbeil

Main St., Kordahi & Matta Center

Fax: (09) 949 588 - Phone: (09) 942 588 - 949 558

Jbeil Fères

Collège des Frères, Street 13, Khoury Business Center

Phone/Fax: (09) 540 496/7/8 - 540 534

Jdeideh

Nahr El Mott Roundabout, Montelibano Bldg.

Fax: (01) 887 780 - Phone: (01) 898 065 - 887 779

Jisr

Dora Highway, Karantina Bridge, Azar Bldg.

Fax: (01) 257 641 - Phone: (01) 257 640/1

Jounieh

Facing La Cité

Fax: (09) 832 075 - Phone: (09) 832 069/70 - 832 063/5

Kaslik

Main Road, Kaslik Plaza Center

Fax: (09) 640 244 - Phone: (09) 639 945 - 640 794 - 640 118

Khaldeh

Saida Highway, Credit Libanais Bldg.

Fax: (05) 810 893 - Phone: (05) 810 891/2/3

Kornet Chehwan

Main Road, Forum 600 Center

Fax: (04) 913 911 - Phone: (04) 913 911 - 928 240

Mkalles (Temporarily closed)

Main Road, Factory Center

Fax: (01) 698 753 - Phone: (01) 698 750/1/2/3/4

Sin El Fil

Fouad Chehab Road, St. Georges Center

Fax: (01) 491 899 - Phone: (01) 495 370/1 - 482 368

Tannourine - Beit Chlala

Tannourine, Main Road, Douma junction Beit Chlala

Phone: (06) 520980 - 520961-3

Zouk

Jounieh Highway, Zeayter Bldg.

Fax: (09) 211 556 - Phone: (09) 210 485/7 - 211 542

Zouk Mosbeh

Geita Main Road, Near Pizza Hut

Fax: (09) 211 083 - Phone: (09) 211 082 - 210 744 - 210 711



BEKAA

Bar Elias

Damascus Road, Araji Bldg.

Fax: (08) 510 267 - Phone: (08) 510 265/6/7

Chtaura

Damascus Road, Rose Massabki Bldg.

Fax: (08) 544 802 - Phone: (08) 540 833 - 543 555/666

Ferzol

Main Road, Ordre Salvatoriens Bldg.

Fax: (08) 950 540 - Phone: (08) 950 54/12/3/4

Jeb Jannine

Ismail Sharaneq Bldg.

Fax: (08) 660 233 - Phone: (08) 660 233 - 660 710

Machghara

Main Road, Albert Karam Bldg.

Phone/Fax: (08) 650 250 - 650 297

Rachaya - Dahr El Ahmar

Dib Mounzer Bldg.

Fax: (08) 590 303 - Phone: (08) 591 013/4

Zahle

Hoch Al Omara, Deir Mar Chaaya Bldg.

Fax: (08) 800 459 - Phone: (08) 810 142/3 - 803 200



SOUTH

Bint Jbeil

Main Road, Charara Center

Fax: (07) 450 802 - Phone: (07) 450 800/1 - (03) 675 012

Nabatieh

Main Road, Sabbagh Bldg.

Fax: (07) 767 911 - Phone: (07) 767 909/10/11

Saida 1

Riad El Solh St., Zaatary Bldg.

Fax: (07) 721 401 - Phone: (07) 721 401/2 - 751 101/2/3

Saida 2

East Blvd., Elia Roundabout, Center Zaatari 2035

Fax: (07) 755 793 - Phone: (07) 755 790/1/2

Tyr (Temporarily closed)

Rest House St., Farran Bldg.

Fax/Phone: (07) 742 854/5/6

Tyr Abbassieh

Abbassieh, Main Road, Jal Al Baher, Sea Center

Fax: (07) 351 094 - Phone: (07) 351 064 - 351 074 - 351 084



NORTH

Abdeh

Abdeh Main Road, Haddad Bldg.

Fax: (06) 470 650/1/2 - Phone: (06) 470 650/1/2 - (03) 583 586

Amioun

Koura Main Road, Azar Bldg.

Fax: (06) 952 714 - Phone: (06) 952 715/6/7

Batroun

Main Road, Juliette Adaymi Bldg.

Fax: (06) 642 168 - Phone: (06) 742 074/5

Kobbe (Temporarily closed)

Kobbe Main Road, Yehya Center

Fax: (06) 393 902 - Phone: (06) 393 900/1

Tripoli - Azmi

Azmi St., Haytham Center

Fax: (06) 215 900 - Phone: (06) 215 900/1/2

Tripoli - Tell

Abdel Hamid Karam St., Kantara Bldg.

Fax: (06) 430 350 - Phone: (06) 430 350/1/2 - 424 434

Zghorta

Main Road, Kareh & Mouawad Bldg.

Fax: (06) 668 601 - Phone: (06) 668 600/1/2/3

Regional Branch Management

Regional Branch Management - Mr. Michele Cherenti - Deputy General Manager-Retail Banking and Branches

Credit Libanais Tower, Blvd. Pierre Gemayel, Corniche El Nahr, Adlieh

Regional Branch Management-North Metn and Keserwan

Kaslik Plaza, Kaslik Main Street, Zouk
Phone: (09) 832 893- 639 451

Regional Branch Management- Bekaa and South

Masabki Building, Chtaura Main Road, Chtaura
Phone: (08) 540 738 - 542 372

Regional Branch Management- Riad el Solh

Asseily Building, Riad El Solh Square, Riad El Solh
Phone: (01) 983 204

Regional Branch Management-Hamra

Gefinor center, Clemenceau street, Gefinor
Phone: (01) 350 092 - 345 364

Regional Branch Management-North

Credit Libanais Tower, Jounieh Highway, Haret Sakhr
Phone: (09) 638 178 - 638 187



Manama, Bahrain Branch

Seef Area, 428, Road 2806
 P.O.Box: 5576, Manama Kingdom of Bahrain
 E-fax: +973 17 910 573 - Fax: +973 17 582 224
 Phone: +973 17 560 570
 Mobile: +973 39 912 912 / +973 39 981 981
 SWIFT/BIC: CLIB BH BB
 E-mail: bahrain@creditlibanais.com.lb
 feedback@creditlibanais.com.lb

Limassol, Cyprus Branch

Chrysalia Court, 1st Floor, 206 Arch.
 Makarios III Avenue, CY 3303
 P.O.Box: 53-492, Limassol Cyprus
 Fax: +357 25 376 807
 Phone: +357 25 376 444
 SWIFT/BIC: CLIBCY2L
 E-mail: limassol@creditlibanais.com.lb
 feedback@creditlibanais.com.lb

Baghdad Branch (Iraq)*

Street N°. 14, Selman Al Faek, 904, Credit Libanais Bldg.
 P.O. Box: 81018, Abi Nawas
 Fax: +964 727 0020385
 Phone: +964 770 0434434 / +964 750 5000555
 Mobile: +964 750 5000111 / +964 770 0000665
 SWIFT/BIC: CLIB IQ BA
 Website: www.creditlibanais.com
 E-mail: baghdad@creditlibanais.com.lb
 *Closed in 2020

Erbil Branch (Iraq)*

Newroz Street, Worech 44, Credit Libanais Bldg.
 P.O. Box: 20 Newroz
 Fax: +964 66 2296690
 Phone: +964 750 3000111 / +964 770 0000766 / +964 750 3000666 / +964 770 0000103
 SWIFT/BIC: CLIB IQ BA
 Website: www.creditlibanais.com
 E-mail: erbil@creditlibanais.com.lb
 *Closed in 2020

Credit International, SA (CISA) - Dakar (Senegal)

Agence Principale
 Credit International sa (CISA) Senegal,
 Immeuble le Goelan, Boulevard Djily Mbaye,
 Intersection Henri Dunan
 B.P.: 50117 Dakar RP
 Fax: +221 33 822 80 80
 Phone: +221 33 829 64 64 / +221 33 889 18 18
 SWIFT/BIC: CLIBSNDA
 Website: www.cisenegal.com
 E-mail: info@cisenegal.com

Credit International, SA (CISA) Zone Industrielle - Dakar (Senegal)

Agence Zone Industrielle
 Zone Industrielle de Dakar, Km 2.8
 Boulevard du Centenaire de la commune de Dakar
 Fax: +221 33 822 80 80
 Phone: +221 33 849 30 80
 E-mail: info@cisenegal.com

Central Processing Department

Phone : + 961 1 258 106/9 Ext. 100/111

Helpline for transfers

Fax : + 961 1 257 635/6

Austria

UniCredit Bank Austria AG - Vienna

Norway

DNB Bank ASA - Oslo

Bahrain

National Bank of Bahrain BSC - Manama

Saudi Arabia

The National Commercial Bank - Jeddah

Canada

The Bank of Montreal - Montreal

Spain

Banco Bilbao Vizcaya Argentaria SA (BBVA) - Madrid
 Banco de Sabadell SA - Madrid

France

Natixis - Paris

Switzerland

Credit Suisse AG - Zurich

Germany

The Bank of New York Mellon - Frankfurt am Main
 Commerzbank AG - Frankfurt am Main
 Deutsche Bank AG - Frankfurt am Main
 Standard Chartered Bank AG - Frankfurt am Main

Turkey

Akbank TAS - Istanbul

Italy

Intesa Sanpaolo SPA - Milan
 UniCredit SPA - Milan

UAE

First Abu Dhabi Bank P.J.S.C - Abu Dhabi
 Standard Chartered Bank - Dubai City

Japan

MUFG Bank Ltd - Tokyo

UK

Citibank NA - London
 Standard Chartered Bank - London

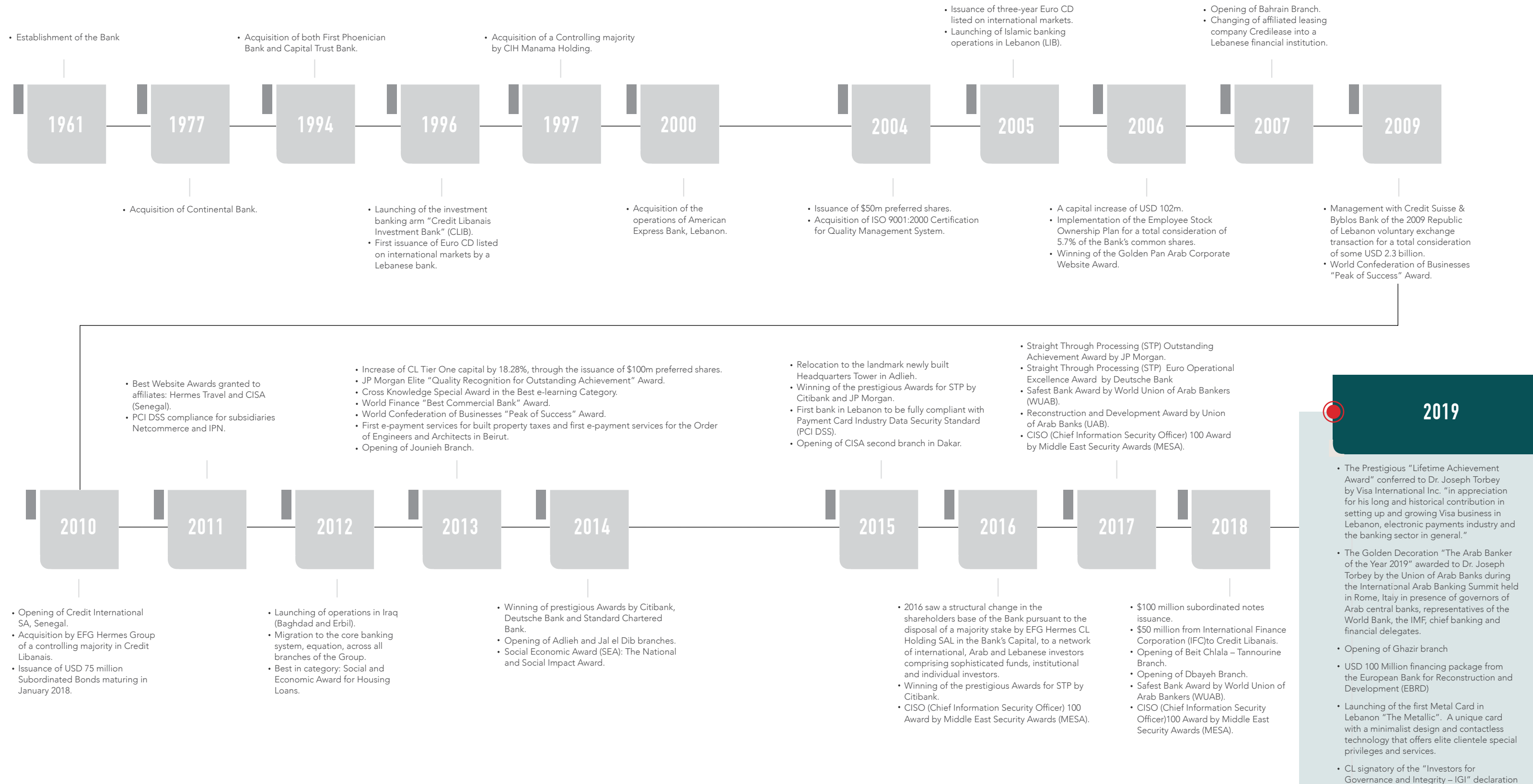
Kuwait

National Bank of Kuwait SAK - Kuwait City

USA

JP Morgan Chase Bank NA - New York
 Citibank NA - New York
 Standard Chartered Bank - New York
 The Bank of New York Mellon - New York

07. CL Milestones



Corporate Publishing Department-CEO Office

Credit Libanais Tower | Corniche El Nahr - Adlieh

P.O.Box: 16 - 6729 Beirut, Lebanon - Tel: +961 1 608122 - Fax: +961 1 608126

nelhajj@cl.com.lb - www.creditlibanais.com

● Designed by **Publi**media sarl

● Photo Credit I Rami Rizk



The Forest Stewardship Council www.FSC.org is an international organization promoting responsible forest management. FSC has developed principles for forest management of forest holdings, and system of tracing, verifying and labeling timber and wood products, which original from FSC-certified forests.



الاعتماد اللبناني
CREDIT LIBANAIS