IBL BANK S.A.L

2018

ANNUAL REPORT

"As we are pursuing **economic growth** and **economic development**, we have to make sure it happens with and by and for everyone. That **everyone gets opportunity.**"

Betsy Hodges

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"Innovation makes the world go round. It brings prosperity and freedom."

Robert Metcalfe

CHAIRMAN'S LETTER

"I Would Like To Grab This Opportunity To Thank Our Customers For Their Continuous Trust."

The year 2018, was an atypical year for Lebanon that witnessed varied political, social and economical situations. The beginning of the year witnessed positive milestones as the international conferences with CEDRE being the apex; and the national elections to name a few. Also the second half of the year, in the aftermath of the elections witnessed tensed political environment, and delay in the formation of a new Government.

In these challenging economic conditions, the Banking Sector realized an acceptable performance in 2018, as evidenced by the commercial banks' Balance-Sheet increasing by 13.5% to reach USD 249.5 billion in December 2018 and total deposits of the sector increasing by 3% to reach USD 174 billion in December 2018.

In this context, IBL Bank, that is ranked amongst the top Lebanese banks in terms of total assets according to Bankdata, registered a strong year 2018 over-performing the sector in most Key Performance Indicators, while continuing in its conservative strategy and strong risk management practices, as evidenced by IBL Bank's total assets growing by 14% in 2018, while the Bank's shareholders' Equity increased by 10% during the year.

The strong growth in Shareholders' Equity is imputed to the solid and sustainable capacity of IBL Bank in internal capital growth thanks to healthy and steady increase of net profits over the years. In addition, it is important to note that thanks to its conservative approach, the Bank enjoys a strong liquidity as evidenced by IBL Bank enjoying between the highest net primary liquidity to deposits ratio in the market.

As a consequence of the Bank's strategic directions, and despite the double taxation that was imposed on Lebanese banks who witnessed, as a consequence, a decrease in their net profits during 2018, IBL Bank realized in contrast an 11% growth in Net Income during 2018, leading to the Bank enjoying the highest Return on Average Equity (ROAE) and the second highest Return on Average Assets (ROAA) in the Lebanese Banking sector according to Bankdata.

Finally, following to the Bank's healthy risk management framework, and the strong capitalization mainly constituted of core Tier 1 capital, IBL Bank is, as at December 2018, fully compliant with the Basel 3 Accord. In fact, as at December 2018, the Bank's Common Equity Tier I Capital Ratio was 16.27%, the Tier I Capital Ratio was 18.77%, and the Total Capital Ratio was 30%.

I would like to close by grabbing this opportunity to thank our customers and correspondent banks for their continuous trust and support as well as the Board of Directors and the entire Group's staff for their precious insights and efforts to push the Bank towards higher summits.

Salim Habib
Chairman General Manager

HISTORY OF THE BANK

1961
The Bank was incorporated as a Société Anonyme Libanaise (joint stock Company) under the name of "Development Bank SAL" with a capital of LBP 8 million for a period of 99 years.

1998
The majority of the Bank's shares were purchased by a group of Lebanese and foreign investors. And until now, this same group of shareholders is still pursuing its policy towards raising the Bank into one of the top national banks. Since then, the Bank has achieved significant growth in total assets as well as in the main components of its balance sheet.

1999
The Bank acquired the total share capital of BCP Oriel Bank, and consequently all branches of the acquired Bank are to this date operating under Intercontinental Bank of Lebanon (IBL Bank).

2003
IBL Bank was the first to introduce the Smart ATM in the Lebanese Market.

2005
IBL Bank was one of the first Lebanese Banks to enter the Iraqi market by opening a representative office in Erbil.

2006
4 new branches were added in Lebanon to cover the whole country.

2007
The Bank obtained a license from the Central Bank of Cyprus to operate in Limassol. A branch was subsequently instigated on Makarios III Avenue and became operational in 2008.

2008
Following the satisfactory results that ensued from the opening of a representative office in Erbil, Iraq, the Board of Directors leveraged the Bank's first mover advantage in Iraq by upgrading the representative office to a full branch. During 2008, the Board of Directors decided to change the Bank's name and logo from Intercontinental Bank of Lebanon to IBL Bank, in order to boost the Bank's positioning and Brand awareness.

2010
The Bank further developed its presence in Iraq by building an additional branch in Baghdad.

2011
In 2011, the Bank established a sister investment bank: IBL Investment Bank S.A.L., 6 new branches were added to the Bank's Lebanese Network strengthening its position between the top national Banks.

2014
Basra followed, being the 3rd branch covering another potential region in Iraq.

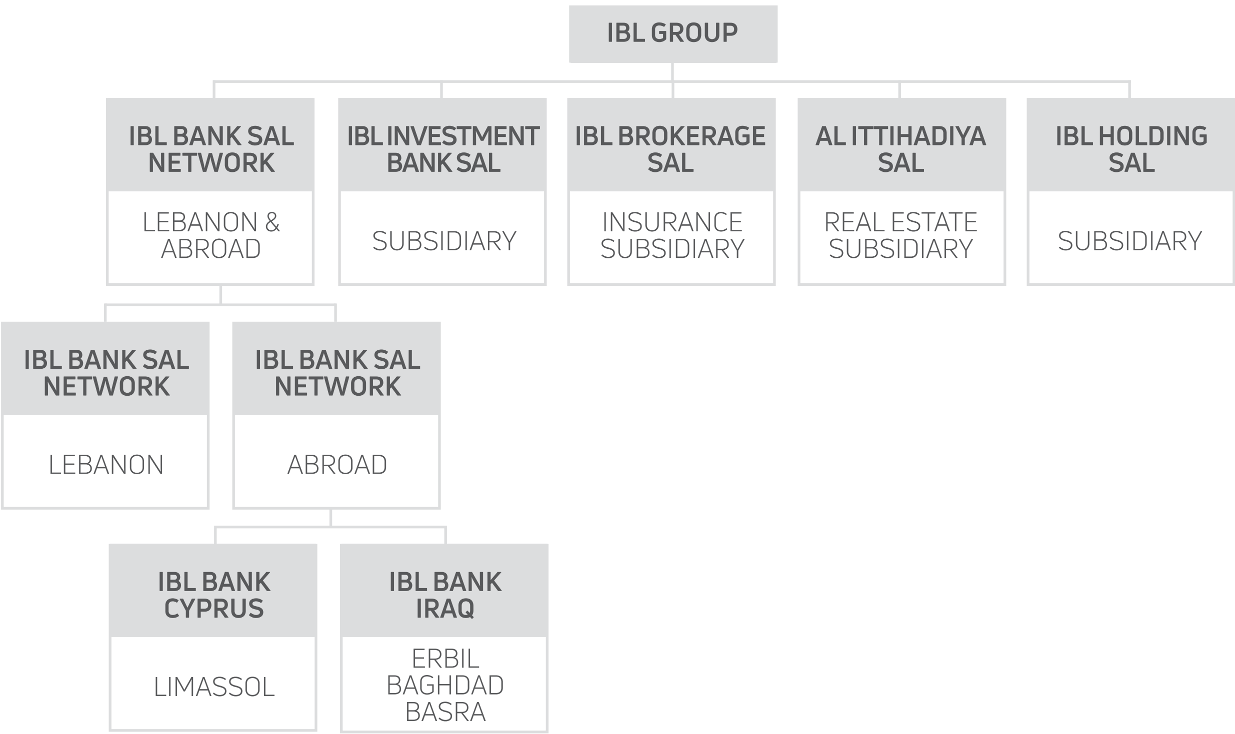
The strong growth that the Bank had achieved since 1998 was coupled with and fostered by continuous investments in human capital, either organically through seminars, training sessions and effective Human Resources management or externally by recruiting skilled managers and dynamic young staff. Amid its track record of solid growth, rigorous risk management and adequate Capital levels, the Bank is in the process of developing its local and regional network.

Currently, the Bank has 21 active branches spread all over Lebanon, and 4 Branches abroad: the first in Europe (Cyprus - Limassol), and 3 Branches in Iraq (Erbil, Basra and Baghdad).

The Bank's Head-Office and main branch are located in Achrafieh, Beirut.

CORPORATE GOVERNANCE

Group Structure



Knowing that the consolidated subsidiaries consist of the following:

Name of Subsidiary	Inception Date	IBL BANK Ownership %	Incorporation	Type of Business
Al-Ittihadia Real Estate S.A.L.	31-May-79	99,97	Lebanon	Real Estate Properties
IBL Holding S.A.L.	11-Nov-08	99,70	Lebanon	Holding
IBL Brokerage S.A.L.	14-Mar-06	99,80	Lebanon	Insurance Brokerage
IBL Investment Bank S.A.L.	8-Jan-11	98,00	Lebanon	Investment Bank

IBL Bank is part of the Alpha Group of Banks and is ranked between the top national banks.

IBL Bank main activities are focused on classical Banking services such as deposits, loans, trade finance, cash management as well as treasury via 21 Branches covering the Lebanese territory, in addition to a European Branch in Limassol/Cyprus and three Branches in Iraq located in Baghdad, Basra and Erbil.

Being concerned by offering universal Banking services, the IBL group launched in 2011 the IBL Investment Bank, having as main activities Private Banking, Investment Banking, and Asset Management.

IBL group Strategy is to extend a wide and diversified range of services to its customers through specialized and independent entities such as IBL Brokerage, insurance consultancy and Al Ittihadia real estate consultancy and management.

Principles of Corporate Governance

Corporate governance is defined as the process and structure used to direct and manage the business and affairs of the institution towards enhancing business prosperity and corporate accountability with the ultimate objective of realizing long-term shareholder value, taking into account the interests of other stakeholders.

The OECD principles define corporate governance as involving "a set of relationships between a company's management, its board, its shareholders, and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined".

As per the BIS Guidelines on "Principles for Enhancing Corporate Governance", Corporate Governance involves the allocation of authority and responsibilities, i.e. the manner in which the business and affairs of a Bank are governed by its Board of Directors and senior management, including how they:

- set corporate objectives and strategy
- determine the Bank's risk tolerance/appetite
- run the day-to-day operations;
- align corporate activities and behaviors with the expectation that the Bank will operate in a safe and sound manner, with integrity and in compliance with applicable laws and regulations; and
- Protect the interests of depositors and other stakeholders.

IBL Board of Directors has formulated its corporate governance policy, which includes guidelines covering governance structure, the role and duties of the Board of Directors, Senior Management and Board committees, code of business conduct, conflict-of-interest management, internal controls, and disclosure policy. These Guidelines set out broad principles and minimum standards as well as specific requirements for sound corporate governance, which are expected of IBL Bank SAL and its Group of companies.

The principles of corporate governance are well established in the Bank through the adoption of the Group's Corporate Governance Guidelines that were reviewed and approved by the Board of Directors in May 2016, in compliance with Regulatory Requirements. In addition, there is proper delegation of responsibilities to key managers and to executive committees with clear cut segmentation of duties between Front and Back Office departments thus enhancing accountability. Finally executive board members are present in most of the Bank's Committees.

In addition, in the Bank's structure, the Internal Audit and the Audit Committee are directly attached to the Board while the Risk Management Division is attached to the Chairman and is supervised by the Board Risk Committee. This structure allows proper independence to these two bodies in line with Corporate Governance principles.

Furthermore, the Bank's Head of Risk Management and/or risk officers are members in all the Bank's committees, thus enhancing risk awareness and compliance with the risk appetite of the Bank

Finally, specialized Committees are in place with regards to risk management, internal control, and internal audit:

- Board Audit Committee
- Board Risk Committee
- Board Remuneration Committee
- AML/CFT Board Committee
- ALCO Committee
- Management Committee
- Senior Credit Committee
- Follow-up Committee for Subsidiaries Abroad
- Junior Credit Committee
- IT Security Committee
- Business Continuity Management Committee
- Change Management Committee
- Organization and Method Committee
- IT Committee
- Procurement Committee
- Executive Committee for Iraq Activities

Remuneration Policy

Being a commercial bank, IBL Bank Group ("the Group") philosophy is to build a larger, more loyal customer base. As such our revenues are derived mainly from transactions with customers, with a strong focus on service activities attracting interest margin and/or fees. Risk tolerance is minimal and strictly monitored by control functions. The Remuneration policy, being an integral part of the HR policies, is therefore based on the preservation of the bank's long-term interests, with a balanced variable compensation or "Bonus" while seeking to attract, motivate and retain outstanding individuals as Group employees.

The remuneration policy of the Group applies to all Group employees. The Board of Directors has adopted the remuneration policy at the recommendation of the Remuneration Committee.

It is important to note that, in compliance with BDL Circular 133, the Bank has put in place a Remuneration Committee in October 2015 attached directly to the Board. In addition to its main responsibilities of preparing, supervising and reviewing, at least annually, the Remuneration Policy and Remuneration System, the Remuneration Committee shall coordinate closely with the Risk Management Committee, upon assessing the remunerations and their related risks, and upon reviewing the Remuneration Policy, in order to ensure its efficiency and adequacy to "effective performance".

The policy reflects the Group's objectives towards good corporate governance for a sustainable operations, as well as sustained and long-term value creation for shareholders. In addition, to focusing on ensuring sound and effective risk management by the implementation of a fair pay scheme to gain staff loyalty and talent retention.

In managing the human capital of the Group, Management should ensure sound and effective risk management through:

- A stringent governance structure for setting goals and communicating these goals to employees
- Alignment with the Group´s business strategy, values, key priorities and long-term goals
- Alignment with the principle of consumer protection, and investors within the Group ensuring prevention of conflict of interests
- Ensuring that the total remuneration pool does not undermine the Group´s capital base
- Evaluating the total remuneration pool by the Board Remuneration Committee to ensure that the implementation of the policy is commensurate with the Group´s risks, capital and liquidity
- Measuring the performance of Senior Executive Management on the basis of the bank's long-term performance, not on the sole basis of previous year performance
- Concerning all employees, disbursed as well as non-disbursed components are subject to claw back provisions if granted on the basis of data which has subsequently proven to be manifestly misstated or inaccurate
- The compensation policy is implemented through delegation (renewed annually) given to the Management by the General Assembly based on the recommendation of the Board of Directors and the Board's remuneration Committee. It strictly follows the objectives which are pursued throughout IBL Bank Group.
- The Board's Audit Committee is regularly kept aware about annual general increase of the salaries and about the Staff cost evolution.
- The Bank's Board is periodically informed about annual general increase of the salaries and staff cost evolution.

BOARD OF DIRECTORS

The current members of the Board of Directors of IBL Bank sal were elected at the meeting of the Ordinary General Assembly held on August 3, 2017 and serve for a term expiring on the date of the Ordinary General Assembly that will examine the accounts and activity of the financial year 2019. The Board of Directors of IBL Bank sal comprises the following Directors:

Mr. Salim Y. Habib	Chairman, General Manager
His Excellency **Dr. Mohammad Abdel Hamid Baydoun**	Independent Member of the Board Member of the Audit Committee Member of the Remuneration Committee Member of the AML/CFT Board Committee
Mr. Kamal A. Abi Ghosn	Executive Member of the Board Deputy General Manager Member of the Risk Committee Member of the AML/CFT Board Committee
Prince Sager Sultan Al Sudairy	Independent Member of the Board
MM. Bicom SAL. Holding (Represented by Mr. Mazen El Bizri)	Non Executive Member of the Board Member of the Risk Committee
Me. Mounir Kh. Fathallah	Independent Member of the Board Chair of the Audit Committee
Mr. Tony N. El Choueiri	Independent Member of the Board Chair of the Risk Committee Member of the Audit Committee
Me Rizkallah J. Makhlouf	Executive Member of the Board
Dr. Elie A. Assaf	Independent Member of the Board Chair of the AML/CFT Board Committee
Me. Michel J. Tueni	Executive Member of the Board (Elected during the OGA held on 25/6/2018)
Mr. Karim S. Habib	Executive Member of the Board (Elected during the OGA held on 5/7/2019)
Me. Ziad Ch. Fakhoury	Secretary of the Board

LEGAL ADVISORS AND AUDITORS

Cabinet Me. Rizkallah Makhlouf **Me. Rizkallah Makhlouf**	Legal Advisor - Lebanon
Fakhoury & Fakhoury Law Firm (Chawki Fakhoury & Associates) **Me. Ziad Fakhoury**	Legal Advisor - Lebanon
Etude Michel Tueni **Me Michel Tueni**	Legal Advisor - Lebanon
Cabinet Me Mamoun Mahmoud Al Khadi **Me Mamoun Al Khadi**	Legal Advisor - Iraq
Airut Law Offices **Me Charles Airut**	Legal Advisor - Iraq
Chrysses Demetriades & Co LLC Advocates Legal consultants	Legal Advisor - Cyprus
MM. Deloitte & Touche.	External Auditors - Lebanon
MM. DFK Fiduciaire du Moyen-Orient	External Auditors - Lebanon
Mr. Fayeq Al Obaidi Management and Banking Consulting	External Auditors - Iraq
MM.Deloitte & Touche Management Consulting W.L.L	External Auditors-Iraq
MM. Deloitte Limited	External Auditors - Cyprus

GENERAL MANAGEMENT

Mr. Salim Habib	Chairman, General Manager
Mr. Kamal Abi Ghosn	Director - Deputy General Manager
Mr. Nakhlé Khoneisser	Assistant General Manager Head of Treasury and Capital Markets
Mr. Rodolphe Atallah	Assistant General Manager Head of Operations development
Mr. Karim Habib	Assistant General Manager Head of Strategy, Finance & Network
Mr. Samir Tawilé	Senior Manager Head of International Banking Division
Mrs. Dolly Merhy	Senior Manager Head of Accounting & Finance Bank's Secretariat
Mrs. Tania Tayah	Senior Manager Head of Risk Management
Mr. Gaby Mezher	Senior Manager Head of Internal Audit
Mr. Habib Lahoud	Senior Manager Head of Retail Banking Division
Mr. Ghassan El Rayess	Senior Manager Head of Corporate and Commercial Banking
Mr. Imad Tannoury	Manager Deputy Head of Corporate and Commercial Banking
Mr. Khalil Salameh	Manager Head of Administration and Human Resources
Mr. Naji Bassil	Manager Chief Trader
Mrs. Désirée Hanna	Manager Head of Credit Risk Projects

Mr. Antoine Achkar	Manager Head of Recovery Department
Me. Joe Boustany	Manager Head of Compliance Department
Mr. Walid El Helou	Manager Operational Development
Mr. Naim Bassil	Alternate Manager
Mr. Abdel Kader Tawil	Alternate Manager
Mr. Ramzi Dib	Manager Arab Business Development Division
Mr. Elie Hlayel	Head of Information Technology
Mr. Esber Wehbé	Head of IT Audit
Mrs Lina Abou Jaoudé	Head of IT Security
Mr. Habib Bou Merhi	Head of Operations
Mr. Elie Rouhana	Head of Trade Finance
Mr. Charbel Eid	Senior Operations manager - Iraqi branches Head of Organization and methods - HO
Mrs. Ishtar Zulfa	Manager Head of Erbil branch Iraq
Mr. Georges Abillama	Manager Head of Baghdad branch Iraq
Mr. Ramzi Chehwan	Manager Head of Basra branch Iraq
Mrs Ghada Christofides	Manager Head of Limassol branch Cyprus

IBL INVESTMENT BANK

The current members of the Board of Directors of IBL Investment Bank sal were elected at the meeting of the Ordinary General Assembly held on July 4, 2017 and serve for a term expiring on the date of the Ordinary General Assembly that will examine the accounts and activity of the financial year 2019. The Board of Directors of IBL Investment Bank sal comprises the following Directors:

BOARD OF DIRECTORS	
Mr. Salim Y. Habib	Chairman, General Manager
Mr. Kamal A. Abi Ghosn	Member of the Board Member of the Risk Committee Member of the AML/CFT Board Committee
IBL Bank sal Represented by Mr. Karim S. Habib	Member of the Board Member of the Audit Committee
Mr. Tony N. El Choueiri	Independent Member of the Board Chair of the Risk Committee Chair of the Remuneration Committee Member of the Audit Committee
Dr. Habib B. Abou Sakr	Independent Member of the Board Chair of the Audit Committee Member of the Remuneration Committee
Mr. Karim B. El Bacha	Independent Member of the Board Member of the Risk Committee Member of the Remuneration Committee Member of the AML/CFT Board Committee
Dr. Elie A. Assaf	Independent Member of the Board (Elected during the OGA held on 29/5/2018) Chair of the AML/CFT Board Committee
Me. Ziad Ch. Fakhoury	Secretary of the Board

IBL INVESTMENT BANK

LEGAL ADVISORS AND AUDITIORS	
Cabinet Me. Rizkallah Makhlouf **Me. Rizkallah Makhlouf**	Legal Advisor - Lebanon
Cabinet Abou Sleiman & Partners **Me Randa Abou Sleiman**	Legal Advisor - Lebanon
MM. Deloitte & Touche	External Auditors
MM. DFK Fiduciaire du Moyen-Orient	External Auditors

GENERAL MANAGEMENT	
Mr. Salim Habib	Chairman General Manager
Mr. Rodolphe Atallah	Assistant General Manager
Mr. Nakhlé Khoneisser	Assistant General Manager
Mr. Moussa El Kari	Manager Head of Private Banking

COMMITTEES

The Bank operates through a number of committees, set up with clear missions, authorities and responsibilities, as follows:

1- Board of Directors Committees

Audit Committee

The Audit Committee is a Board Committee composed of three members of the Board of Directors. It ensures the existence and the regular enhancement of an adequate system of internal controls. It reinforces the internal and the external audit and ensures the compliance with International Auditing Standards. It reviews all the audit activity reports and discusses the significant recommendations and management plans for their implementation. It revaluates and recommends improvements on the measurement system for assessing the various risks of the Bank. The Audit Committee reviews also the Bank's contingency plan and ensures the implementation of the operational risk management framework.

Risk Committee

The Risk Committee's objective is to assist IBL Board of Directors in implementing the BOD mission such as planning the risk profile, setting the risk appetite and tolerance, approving and reviewing the risk framework and policies, reviewing the risk reports and overseeing the development of the risk function within the Group. The Committee is composed of one executive member of the Board of Directors and two non-executive members. The Head of Risk Management will act as coordinator and assist the Committee in planning and organizing its work. The Committee recommends to the Board the parameters of the Bank's risk management framework in line with the Committee's objective set above.

Remuneration Committee

The main role and function of the Remuneration Committee is to assist the Board of Directors in developing a fair and transparent procedure for setting policy on the overall human resources strategy of the Bank and the remuneration of Directors and senior management, and for determining their remuneration packages on the basis of their merit, qualifications and competence. The Committee includes three independent non-executive directors and will meet at the demand of its Chairman. It will be considered validly convened if attended by the three members.

AML/CFT Board Committee

In line with BDL Basic Decision No 7818 of May 18, 2001 amended by the Intermediate Decision No 12255 of May 4, 2016, the Board of Directors, in its meeting of June 7, 2017, has established an AML/CFT Board Committee composed of three of its members. The role of the AML/CFT Board Committee is to support the Board of Directors in its functions and supervisory role with respect to fighting money laundering and terrorist financing and to assist it with making the appropriate decisions in this regard, also to review the reports submitted by the Compliance Unit and the Internal Audit on adopted procedures, unusual operations and high-risk accounts, and to take the relevant decisions.

2- Management Committees

Management Committee

The Management Committee acts as an advisory body to the Chairman General Manager on all issues relating to the Bank's general policies. The Management Committee meets a least once a month. It ensures the day-to-day management of the Bank according to prevailing laws, rules, regulations, best practices as well as the effective management of operational risks arising from inadequate or failed internal processes, people and systems or from external events. It proposes to the Board of Directors the Bank's medium and long-term goals and strategies, and the business plan for achieving these goals, and recommends the improvement of the Bank's organization structure in case of need.

Asset-Liability Committee (ALCO)

The ALCO is responsible for setting up and supervising the implementation of an asset-liability management policy, which the Treasury is responsible for executing. ALCO's primary objective is to oversee the management of the balance sheet structure and liquidity, monitor the market risk levels, analyze the Bank's financial ratios and the reports on the sources and utilizations of funds, and maximize income from interest spread and trading activity within the approved risk and gap parameters. The ALCO is also responsible for assessing market conditions according to economic and political developments.

Senior Credit Committee

The Senior Credit Committee sets up the framework for credit risks, economic sectors distributions, classification and provisioning policies, subject to the Board of Directors approval. It is in charge of studying credit applications that exceed the limits of the Junior Credit Committee, loans to financial institutions, recovery processes and credit products proposals. In addition, this committee has for responsibilities to review and take decisions on cases handed over by the commercial banking department (SME, Corporate, Retail) or the recovery department, and follow up on cases handed over to the Legal Department, recommend actions on cases, approve settlements, and propose adequate provisions.

Junior Credit Committee

The Junior Credit Committee evaluates and approves all corporate and commercial loans and facilities with a tenor not exceeding one year provided that they comply with the credit strategy approved by the Board of Directors and provided that the aggregate total cumulative secured and clean facilities granted to one client or group of interrelated names through commercial association and/or through common ownership/management control do not exceed USD 400,000.

IT Security Committee

The IT Security Committee is responsible for the human security within the Bank's premises. It works together with the Internal Audit department to make sure all IT security rules are well applied. It implements and monitors security plans and applies the used norms to ensure the correct distribution of tasks among employees. It monitors also the IT security systems and rules as well as the emergency plans. It deals with any security breach and takes appropriate measures to avoid facing it another time.

IT Committee

The mission of the IT Committee is to set the IT strategy. It should establish and apply a structured approach regarding the long-range planning process, which should take into account risk assessment results, including business, environmental technology and human resources risks.

Procurement Committee

The role of the Procurement Committee is to validate purchasing procedures; Tenders, rules and conditions of settlement, study annual budgets of material resources as fixed assets and general expenses and make recommendations to the Management Committee.

Follow-up Committee for Subsidiaries Abroad

The Follow-up Committee for Subsidiaries Abroad undertakes all tasks mentioned in Central Bank basic circular No. 110 dated August 16, 2007 in order to examine closely the abroad activities of the group, including but not limited to management, strategy, performance, results and risks levels.

Organization and Methods Committee

The role of the Organization and Methods Committee is to review the process modeling and to settle on the right solutions. It suggests the policies and procedures to be applied, optimizes the organization of the Bank, and simplifies the procedures with respect to delegations and formal controls, and reviews the structures with the new technologies and products introduced by the Bank.

Change Management Committee

The Change Management Committee has been formed to review, advice and document the proposed changes required by the IT Security Committee on IBL IT infrastructure including hardware, software and banking applications, and to report its decisions and activities to the General Management.

Business Continuity Committee

The mission of the Business Continuity Committee is to determine the Business Continuity strategy, to maintain the ongoing support and viability for the Business Continuity Plan (BCP) program, to support the change management occurring as a result of the BCP implementation and to make global decisions that affect BCP at the Bank's level. The Committee is chaired by the Deputy General Manager.

Executive Committee for Iraq Activities

The mission of the Executive Committee is to ensure the management of the activity in Iraq according to prevailing laws, rules, regulations and best practices, as well as the management of operational risks arising from inadequate or failed internal processes, people and system or from external events. The Committee is responsible for assessing market conditions according to economic and political developments. Members of the Executive Committee are entrusted by the Chairman and report directly to Him with the duty of conducting the business in general.

Follow-Up Unit on Principles of Banking Operations

The Unit is linked directly to the Chairman, General Manager and is independent from any executive responsibility. Its mission is to contribute in developing the policy and procedures to be applied in the Group, to follow-up the application of the policy and procedures by the different entities at the Bank, to contribute in elaborating a Product Key Facts statement in order to be provided to clients, to receive and study the returns from customers in order to satisfy their needs, propose training programs to the staff.

MAIN ACTIVITIES

The Bank has been actively building up its domestic franchise in the last few years, as reflected by the significant rise in total assets and deposits.

The Bank's principal activities are divided into three major areas: Retail Banking, Commercial Banking and Trade finance, Treasury and Capital Market Operations.

Retail Banking

The Bank's management believes that retail banking is an efficient way to diversify earnings and risk, as well as a mean to consolidate its relationship with all its customers, and consequently emphasizes and focuses on this business line. The retail department has been consistently empowered with Human Capital and has been introducing new products ranging from bancassurance to retail loans to deposits programs, which are regarded as less risky and high yielding.

In keeping with this strategy, our number of ATMs across the country has reached 40 and 6 abroad. Our branch network is composed of 21 local branches, a branch in Limassol, Cyprus, 3 branches in Iraq: one in Erbil, one in Baghdad and one in Basra.

Commercial Banking and Trade Finance

The Bank provides its clients with a full range of commercial banking services and products, in addition to trade finance services through its network of international correspondent banks. The Bank's loans are mainly granted in Foreign Currency, and are denominated predominantly in US Dollars, having either a maturity of up to one year with the possibility of renewal, or term loans with generally an interest re-pricing period of 1 year.

Treasury and Capital Markets Operations

The Bank's Treasury operations consist of managing and placing the Bank's liquidity. The Treasury department invests those funds with prime international banks as well as with the Central Bank of Lebanon and other Lebanese banks. The Bank, in the course of its activity on the interbank market, defines individual limits per bank, and deals only with prime banks. The Bank provides its customers with securities brokerage and trading activities.

RISK MANAGEMENT REPORT

Risk Management is an integral part of the Bank's business model. The independency and close alignment of the Risk Division to the business ensure consistent and effective risk oversight and establish an integrated approach to managing current and emerging threats.

The Bank seeks to promote a strong risk management culture and deploys a framework designed to ensure the consistent management of strategic, financial, and operational risks.

The risk framework sets out how IBL Bank organises and applies its risk management practices. Policies and procedures covering all types of risks have been implemented and updated regularly to ensure they take full account of the Bank's risk appetite and cover regulatory and internal guidelines while recognizing best practice methods. Appropriate limits are set within the different policies and monitored by the corresponding business owners.

The following key principles support our approach to risk and capital management:

- The Board of Directors has the overall responsibility of determining the type of business and the level of risk appetite that the Bank is willing to undertake in achieving its objectives.
- Up-to-date policies, procedures, processes and systems to allow the execution of effective risk management.
- The relevant committees' structure enhances the approval and review of actions taken to manage risk.

The Risk Management Division proposes and reviews the different Risk Policies of the Bank in anticipation of, and in compliance with, regulatory and international standards. These policies set the general internal risk governance framework and introduce guidelines for identification, assessment, monitoring and control of the risks as well as guidelines for internal own funds management. They also define the responsibilities of the governing bodies in their oversight role of the risk profile of the Bank and their alignment with the risk appetite defined and approved by the Board Risk Committee (BRC) and the Board of Directors.

The Risk Management Division is responsible of monitoring and controlling all types of risk on a regular basis while the business units are responsible for the continuous management of their risk exposures in order to ensure that the risks are within the specified and acceptable limits.

The Risk Management Division is independent of other business units in the Bank that are involved in risk taking activities. It reports directly to the Chairman General Manager and the Board Risk Committee. As such, it contributes to the growth and profitability of the Bank by ensuring that the risk management framework in place is both sound and effective and complies with the Board's directives.

Acting within an authority delegated by the Board, the Board Risk Committee oversees the risk management framework and assesses its effectiveness. It reviews stress testing scenarios and results, liquidity and capital adequacy. It also approves the annual ICAAP report and the Recovery Plan as well as all significant changes to Risk Management policies and Framework.

The Bank's risk management processes distinguish among four kinds of specific risks: credit risk, market risk, liquidity risk and operational risk.

A. Credit Risk Management

Credit Risk is the risk that arises from the inability of the borrowers or counterparties to meet their contractual commitments, which may lead to non-performing loans and the actual losses may also affect the Bank's capital adequacy.

The objective of the Bank's credit risk strategy, set by the Board of Directors, the Board Risk Committee and the Senior Credit Committee, is to quantify and manage credit risk on an aggregate portfolio basis, as well as to limit the risk of loss resulting from an individual customer default.

The lending process is fully automated through recently acquired application that simplify the analysis process of lending that covers all documents needed for credit approval such as facilities requests, securities, credit documents, credit packages, financials, account statements, and many more.

The new application includes S&P module for internal rating that generates an internal rating per obligor (ORR), calculates PD (12 month, lifetime and PIT) & LGD, which are the major components to meet IFRS 9 requirements.

B. Market Risk Management

Market Risk is the possibility of loss caused by changes in the market variables. It is the risk to the bank's earnings and capital due to changes in the market level of interest rates or prices of securities, foreign exchange and equities, as well as the volatilities of those changes.

The Market Risk Management department is responsible for the independent market risk monitoring, measurement, analysis and reporting for the bank's Asset Liability Committee (ALCO).

The ALCO will decide on the policy and strategy for integrated risk management containing various market risk exposures of the bank. Its responsibilities, with regard to market risk management aspects, include:

- Setting policies and guidelines
- Reviewing and approving market risk limits
- Ensuring adherence to the limits set by the Board and deciding the business strategy of the bank in line with bank's budget.
- Deciding on desired maturity profile and mix of incremental assets and liabilities
- Articulating interest rate view of the bank.
- Reviewing economic and political impact on the balance sheet

C. Liquidity Risk Management

Liquidity Risk is the risk to the Bank's earnings or capital arising from its inability to meet its financial obligations as they fall due, without incurring significant costs or losses. Liquidity is managed to address known as well as unanticipated cash funding needs.

The Bank maintains sufficient liquidity to fund its day-to-day operations, meet deposits withdrawals and loan disbursement, participations in new investments and repayment of borrowings.

Liquidity Management within the Bank focuses on both overall balance sheet structure and the control within prudent limits of risk arising from the mismatch of maturities across the balance sheet and from contingent obligations.

Liquidity Risk is monitored through the Intraday Liquidity management, and the Regulatory and Internal Liquidity ratios such as the Liquidity Coverage Ratio – LCR, which promotes short-term resilience of the liquidity risk profile of banks by ensuring that they have sufficient high quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days.

D. Operational Risk Management

Operational risk exists in the natural course of business activities and represents things that go wrong and which have, ultimately, a financial cost or a negative impact on the Bank's reputation and its ability to continue its operations. It is "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events."

This definition includes legal risk but excludes strategic and reputational risk. Legal risk includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements.

Operational risk is originated by at least one of these factors: malevolence "Intentional Action", error "Unintentional Action" and accident "Unforeseeable Action".

The Bank implemented a comprehensive framework that includes different tools and methodologies used to assist in managing the operational risk throughout IBL Bank.

The framework supports Senior Management in the alignment of business and risk management goals and provides a foundation that enables a consistent approach to operational risk across the Bank. Furthermore, the framework aims at establishing a common understanding of operational risk and risk management, promoting consistent application of techniques, and capture of relevant data.
The main components of the Operational Risk Framework, supporting the identification, assessment, measurement and reporting of operational risk, and the objectives of each, are the following:

Risk & Control Self-Assessment (RCSA): Identification of the risks inherent to the Bank's activities and environment, the assessment of the adequacy of the related internal controls to determine the residual risk and the classification of the risks according to their potential impact and likelihood.

Key Risk Indicators (KRIs): Identification and analysis of metrics that can be considered as indicators of the level of operational risk within the Bank. The RCSA process enables a focus on indicators related to the most risky activities and processes.

Operational Risk Loss Events: Collection and analysis of operational risk events, including the identification of the root-cause that has led to their occurrence and the definition of a remediation plan.

Scenario Analysis: Assessment of the impact and likelihood of potential critical incidents and the proactive mitigation of the identified risks. Scenario Analysis enables the Bank to gain a better understanding of the risks that it could face under extreme conditions.

People & Culture: Cross-functional collaboration between the operational risk function and all business lines and support functions is continuously established. Accountability and responsibility for operational risk management is clearly defined and understood throughout the Bank. Transparency is promoted as the main pillar of a sound risk culture.

New Products, Systems & Processes: Identification and assessment of risks inherent to new products, systems and processes as well as to projects that have a material impact on the Bank's operational risk profile.

The Board, the top management, the support and business functions are the main pillars of an effective operational risk governance. Each party has a specific role in the establishment and implementation of the operational risk framework and related processes. As a result, the management of operational risk is decentralized and is based on three-line-of-defense approach, as follows:

a) Business lines managers act as a first line of defense by managing operational risks arising from their daily activities.

b) The second line of defense is assumed by several control functions that include Operational risk, Information Security, Business Continuity, Compliance, Regulatory and Legal Compliance and Internal Control.

c) Internal Audit, which constitutes the third line of defense, provides an independent assurance on the effectiveness and relevance of the operational risk framework, through audits carried out in a timely manner according to regulatory requirements and standard industry practices.

E. Stress Testing and ICAAP

The main drivers behind monitoring and controlling risks are the Risk Appetite and the Limits that are part of the ICAAP and are reviewed by the Board Risk Committee and approved by the Board. They comprise limits to various types of risks to which the Bank is exposed.

The risk appetite indicates the maximum risk that the Bank considers acceptable to implement its business strategy in order to protect itself against events that could have an adverse effect on profitability and capital.

Stress tests are also part of the capital planning process. They contribute to the setting and monitoring of "risk appetite" and ensure adherence to regulatory requirements.

Stress testing is an integral part of the bank's risk management system and is used to evaluate its potential vulnerability to certain unlikely but plausible events or movements in financial variables. The vulnerability is usually measured with reference to the bank's profitability, liquidity and/or capital adequacy.

Stress testing may reveal a reduction in surplus capital or a shortfall in capital under specific scenarios. This may then serve as a leading indicator to the Bank's Board to raise additional capital, reduce capital outflows, adjust the capital structure and/or reduce its risk appetite.

F. Recovery Plan

As required in BDL Circular 141 dated September 18, 2017 and BCCL Circular 294 dated December 28, 2017, IBL Bank prepared its Recovery Plan to help the bank restore its viability in case of major troubles and avoid the activation of the resolution plan by the regulator.

The objective of the Recovery Plan is to identify available actions to counter the factors that could prompt a crisis and to assess whether they are robust enough and sufficiently diversified for IBL Bank to cope with shocks of different nature and magnitude.

This plan includes the Recovery Plan Indicators, which signal any deviation from the bank's business plan, and which may include indicators of quantitative and qualitative nature. The Recovery Options are also detailed in the plan in addition to their impact assessment on the bank's situation.

CAPITAL ADEQUACY RISK MANAGEMENT

Capital Adequacy Risk is the risk that the Bank may not have enough capital and reserves to conduct normal business or to absorb unexpected losses arising from market, credit and operational risk factors.

The Bank's policy aims to ensure that it maintains an adequate level of capital to support growth strategies and to meet market expectations and regulatory requirements. As at December 31, 2018 IBL maintains a total capital ratio of 30.09% measured according to Basel III and Central Bank requirements.

INTERNAL AUDIT

THE NEW INTERNATIONAL PROFESSIONAL PRACTICE FRAMEWORK *(figure 1)*

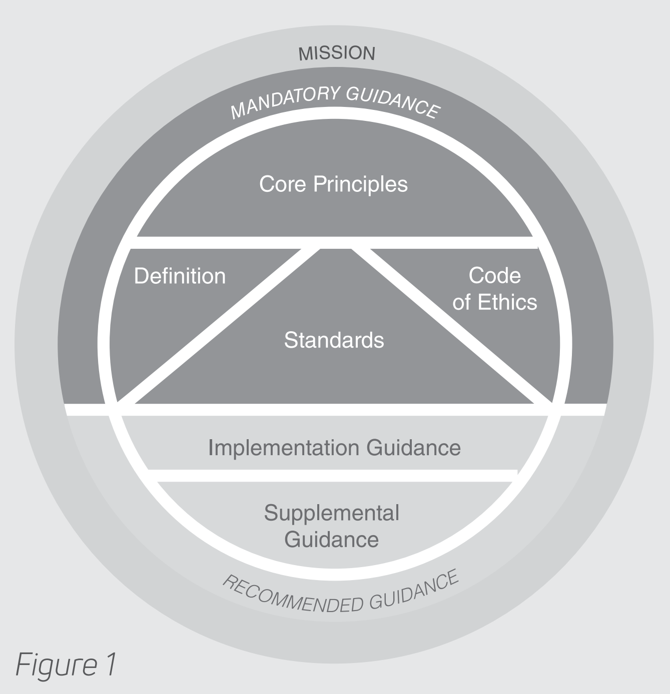


Figure 1

Figure 2

INTERNAL AUDIT FUNCTION

Internal Auditing is an independent objective assurance and consulting activity designed to add value and improve IBL's operations.

It helps IBL accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance process.

INTERNAL AUDIT CHARACTERISTICS

- Confidential and enterprise-wide authority for its activities, aligned with the strategies, objectives, and risks of the bank.
- Demonstrating integrity, competence, and professional care.
- Objective & independent performance of its responsibilities.
- Competent, insightful, proactive, and future-focused.

ROLE OF INTERNAL AUDIT *(figure 2)*

The role of the internal audit is to provide independent assurance that IBL's risk management, governance and internal control processes are operating effectively.

It includes the review of the internal controls and the accounting system, monitoring operations, checking compliance with the entity's policies and procedures, and recommending improvements.

The Internal Audit role has extended beyond financial controls, playing a more prominent and proactive role in non-financial reporting, risk management, & corporate governance.

INTERNAL AUDIT RESPONSIBILITIES

- Evaluates and provides reasonable assurance that risk management, control, and governance systems are functioning as intended and will enable the Bank's objectives and goals to be met.
- Reports risk management issues and internal controls deficiencies identified directly to the audit committee and provides recommendations for improving the Bank's operations, in terms of both efficient and effective performance
- Evaluates information security and associated risk exposures
- Promotes improvement, and maintains open communication with the management and the audit committee
- Follows up with management on actions taken in response to audit findings and recommendations.

INTERNAL AUDIT AND AUDIT COMMITTEE

The audit committee of the Board of Directors and the internal audit are interdependent and mutually accessible, with the internal auditors providing objective opinions, information, and support to the audit committee; and the audit committee providing validation and oversight to the internal auditors.

The internal audits provide to the audit committee objective assessment on the state of IBL's risk, control, governance, and monitoring activities.

RISK BASED INTERNAL AUDITING

It is a methodology that links internal auditing to the bank's overall risk management framework. This allows the internal audit activity to provide assurance to the board that risk management processes are managing risks effectively, in relation to the risk appetite.

COMPLIANCE AND AML REPORT

The Compliance Department's ultimate goal is to ensure the application of the regulations drawn by the legislators, regulators and its board of directors; it plays an essential role in helping to preserve the integrity and reputation of the Bank.

• AML & CFT have always been a key consideration to IBL Bank. Within the Compliance Department, the AML unit bears the responsibility for ensuring that the bank's clients act within the law and don't use the bank for illegal activities, such as money laundering or funding terrorism.
AML Unit team ensures this commitment by using international automated systems regarding all types of banking transactions, filtering and screening tools.

• Since Legal/Regulatory compliance is of the utmost importance in maintaining the bank's integrity and reputation, and thus, sustain the healthy growth of business, the Legal/Regulatory Compliance Unit was established in order to ensure that IBL's activity adhere, strictly, with local and international laws and regulations.

Accordingly, the Legal/Regulatory Unit aims to monitor, control the application of laws and regulations and hence, to implement good business legal standards relevant to IBL's business and prevent legal and reputational risks that could arise as a result of failing to comply with the provisions of laws and regulations.

Since, the world became increasingly globalised and cross-border activities became the norm, number of substantial changes has been made by financial regulators, international bodies, governments and banks to ensure the protection and long-term safety of both the financial system and our customers' interests:

- IBL Bank is proud of its commitment to being fully FATCA-compliant in all countries where we operate.

- IBL Bank is fully CRS compliant: The Bank has implemented the Common Reporting Standard rules in its own system and started the application of its regulations by July 1, 2017.

"A Compliance department can be an expensive unit to operate, but non-compliance can be more costly."

BOD REPORT

The Bank's strategy of continuous growth not only quantitatively but also qualitatively is reflected in the following milestones:

Corporate Social Responsibility: At IBL Bank, we are driven by the belief that as being a Leading Bank we have to be a responsible citizen. As such, the Bank has launched many CSR initiatives during the year:

• **Environment:** IBL Bank's commitment to sustainable growth and the protection of the environment is highlighted by the Bank being the leader in financing Energy efficient projects and in the Bank's continuous support and actions to help energy efficient programs and actions such the Beirut Energy Forum.

• **Supporting Sports Events:** Our belief that sports circulates important values in our community and strengthen its links while personalizing our motto, IBL Bank supported many events, mainly: the Champville Basket-Ball team and Tripoli Marathon.

• **Supporting Education:** Our belief that Education is the base of healthy society, IBL Bank supported many events, mainly: ALBA open door, Saints Coeurs Sioufi Mother's Day annual brunch, and University of Balamand annual dinner.

• **Supporting NGOs:** As an active member of our society, IBL Bank supported many Non-Governmental Organizations, mainly: Heartbeat, Dar el Aytam el Islamiya, and Neonate fund

• **Supporting Culture:** Our commitment in favor of cultural, artistic and touristic events is a continuing tradition which stems from our aspiration to offer our support to affirm the cultural vocation of Lebanon. IBL Bank continued to be the main sponsor of Byblos International Festival, who is seen as the most renowned and respected Cultural Festival not only in Lebanon but also in the Middle-East. In addition, during 2018, we supported many cultural events as Batroun Festival, Ehmej Festival, the Arab Architect Award to name a few.

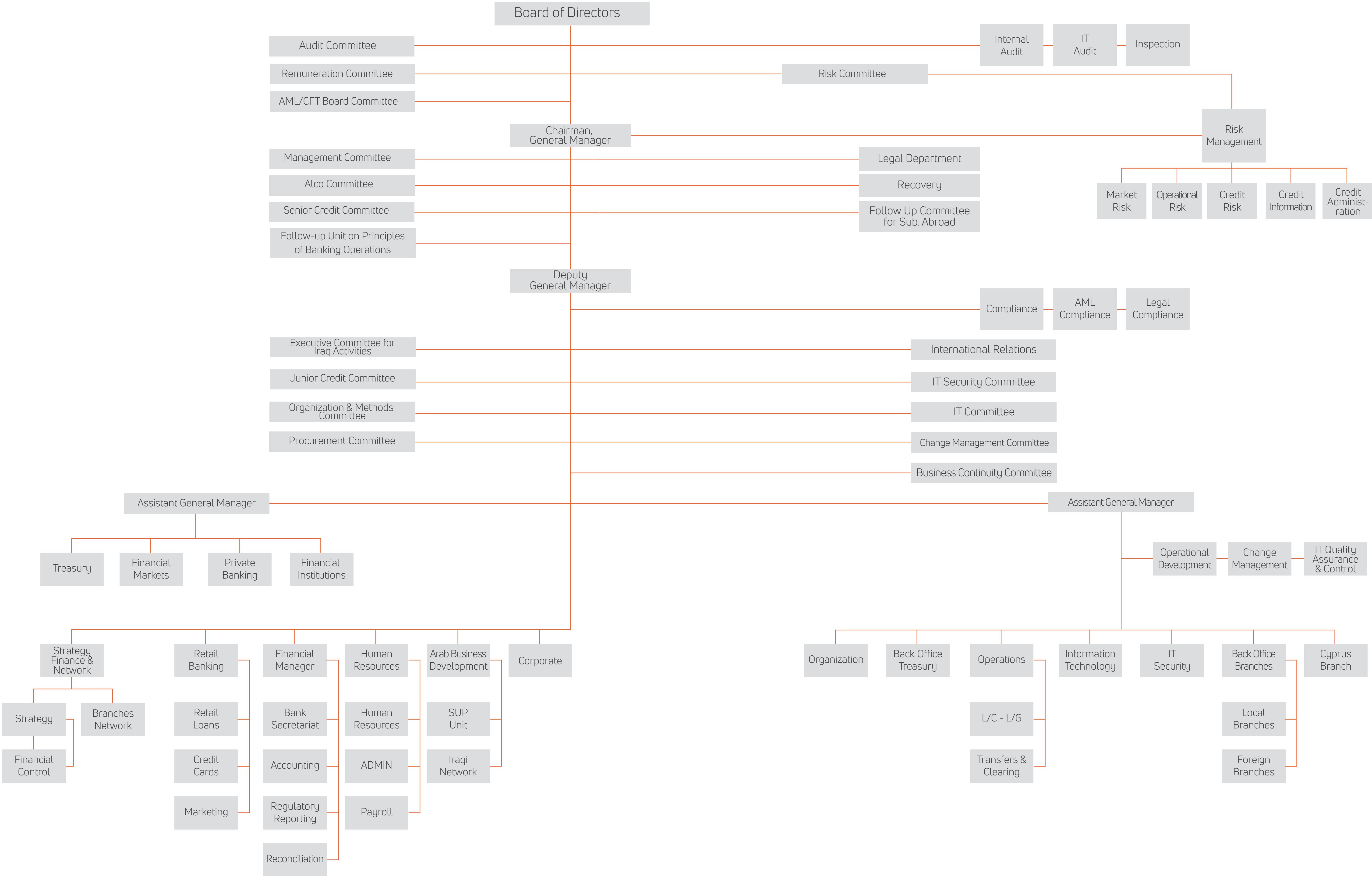
Brand Awareness: We continued during 2018 our strategy of boosting the Bank's positioning and brand awareness with a comprehensive campaign airing on all main Lebanese medias.
In addition, 2018 marked the launching of an innovative deposit program the Dynamic account that was imagined by IBL's teams. The unique Dynamic Account was launched on all medias and received an amazing response from the public and registered a massive success

US Visa: Starting October 16th, 2018, and foloowing the agreement signed with representative of the US State department, all applicants to the US Visa at the USA embassy in Lebanon are paying the visa fees exclusively at IBL Bank's branches.

European Investment Bank (EIB): On the 12th of December 2018, the Bank has signed a finance contract with the European Investment Bank (EIB) as part of the EIB's Lebanon Private Sector Resilience Initiative based on which IBL will be able to finance projects undertaken in Lebanon at subsidized rates.

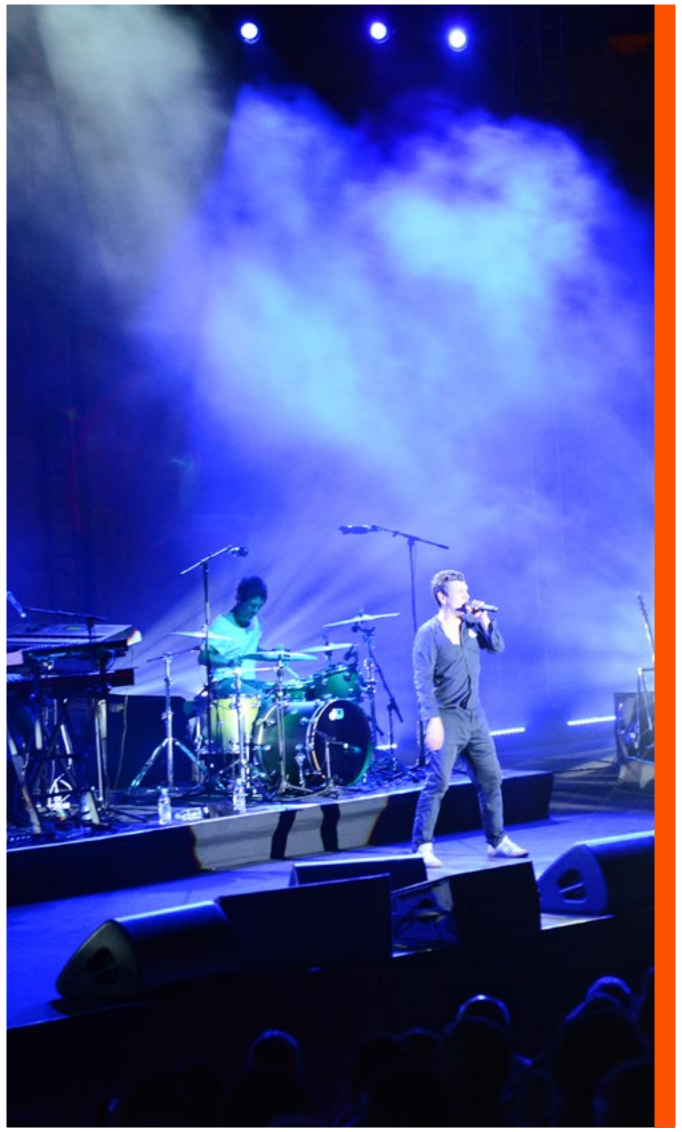
Finally, during this year, we have continued to invest in Human Capital, as we are convinced that it is the most important form of Capital. Indeed, 2018 was rich in investments, in training and the recruitment of new talents as we make sure to manage our Human Resources in the most effective and efficient manner. Consequently, given our emphasis on staff professional development, over 111 managers and staff, assisted to 172 different external seminars throughout the year in Lebanon and abroad, not counting the continuous internal effort of training and skills enhancement of our staff as specialized trainings on sales techniques, CRS and IFRS9 to name a few.

ORGANIZATIONAL CHART



BYBLOS INTERNATIONAL FESTIVAL

For the 10th year in a row, IBL Bank is proud to be the official sponsor of the Byblos International Festival 2019. This partnership comes in a natural strive to support art, talents, and the Lebanese cultural heritage along with its rich nightlife that we, Lebanese people, strive to maintain despite all challenges. Every evening of the festival, IBL Bank welcomed its guests in its classy lounge overlooking the magnificent bay of Jbeil, with drinks and bites offered in the most delectable ambience, as well as a picture taken by the "SharingBox" machine distributed as a souvenir of the evening.



EVENTS

Tripoli Marathon 2019

As part of our CSR activities, IBL Bank sponsored the Tripoli Half Marathon 2019 held on Sunday June 9, 2019. IBL Bank's colorful stand welcomed runners with refreshments and delicious bites on the house! The participants ran this year under the theme of "Eliom Edman, boukra nedman" in support of the anti-drug addiction campaign.

World No Tobacco Day 2019

Because your health counts, IBL Bank sponsored the "World No Tobacco Day" held on the 31st of May 2019 at Hotel Dieu de France hospital, under the high patronage and presence of the minister of public health, his excellency Dr. Jamil Jabak, and in collaboration with the World Health Organization, represented by Dr. Iman Shankiti. This day highlighted the importance of the fight against smoking and the application of law 174/11 in all institutions and Lebanese companies, by offering tests, consultations and medical advice to the attendees.

International Dental Convention

IBL Bank had the pleasure to welcome more than 1200 dentists attending the 16th International Dental Convention held from May 2 to 4, 2019 at the Lebanese University Campus, Hadat. This year's theme "Excellence in Daily Practice" echoes well with our standards and values, as we strive to offer the best banking products to our Lebanese dentists as part of our continuous support to their association.

Mother's Day Celebration

This year, IBL Bank reiterates its support to the Saints Coeur Sioufi School with a special stand welcoming every mom attending the Mother's Day Brunch held at the Phoenicia InterContinental Hotel, Beirut.

A souvenir picture with "the wings of love" creative graphical theme was distributed instantly, with a rose and a towel to take home!

Arab Architects Awards

IBL Bank's outstanding classy stand welcomed H.E. General Chamel Roukoz, representing H.E. President General Michel Aoun, during the 1st edition of the Arab Architects Awards held from October 25 to 27, 2018 at the Seaside Exhibition Center in Beirut, Lebanon.

The Arab Architects Awards is an international competition that highlights the best projects designed and executed by Arab architects around the world, over the past 8 years. The Award was initiated jointly by the Association of Arab Architects and the Order of Engineers & Architects and will feature a presentation of 35 projects, distributed over 9 different categories, before a jury of Arab and International architects and academics.

World Exchange Congress

IBL Bank's high-end stand welcomed attendees arriving to the World Exchange Congress 2019, taking place on February 26 and 27, 2019 at the InterContinental Phoenicia Hotel, Beirut.

This great event that brings the industry together receives 400+ attendees and 100+ speakers from over 60 countries.

28th BIDM 2018 congress

IBL BANK's partnership with the Lebanese Dental Association was highlighted this year again at their 28th BIDM 2018 congress held at the Forum de Beirut from October 4 to 6, as the bank set up its special booth promoting its LDA card specifically designed for Lebanese dentists, offering them a wide array of advantages and amazing benefits, free of charge.

Beirut Energy Forum

Once again, IBL Bank participated in the Beirut Energy Forum, held at Le Royal Hotel for three consecutive days starting the 26 of September 2018, promoting its Green Loans in a creative stand with a green touch. Our mission at IBL Bank is to make a positive change in our local community by contributing in preserving the dream of a green Lebanon. Through IBL Bank's ongoing care for nature, our clients can rely on our support along with our collaboration with the UNDP (United Nations Development Programme), to realize any eco-friendly project.

Dynamic Account

September 2018 witnessed the production of a very successful advertising campaign including a TVC aired on all channels, to launch the amazing Dynamic Account that triggered many newcomers and a perfect positioning establishment.

Several CSR activities

As part of our ongoing CSR activities and support for Lebanese associations and NGOs, IBL Bank sponsored several events and fundraising dinners and concerts pertaining HEARTBEAT, Birth&beyond, and Yadouna.

Night of the Adeaters 2018

On November 17 and 18, 2018, and for the 10th consecutive year as the official sponsor of this special Night, IBL Bank set up a booth at the entrance of the NDU theater offering all Adeaters the opportunity to take a photo through its high-tech "Sharing Box". Within good, creative atmosphere, each Adeater posed for a fun, humorous photo!

The picture was printed right on the spot and in just a minute, offered away as a fridge magnet to hang and keep as a souvenir of the evening.

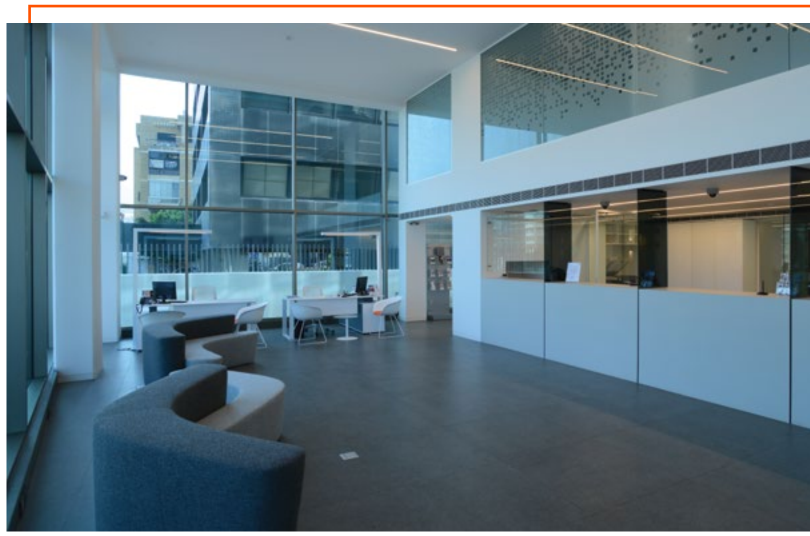
Let the good times roll and see you next year!

Sin el Fil Branch Opening

In a constant strive to serve its customers better, IBL Bank opened a new branch in Sin El Fil, on July 15, 2019. The branch is now fully operational in Horch Tabet Area, Near Habtour Center, General Charles de Gaulle Street, CET s.a.l. Building.

Phone: +9611500061
Fax: +9611500061

Branch Manager: Mrs. Christine Bou Eid Jaber



New Hamra Branch

In order to constantly serve our clients in the best possible ways, on May 27, 2019 our IBL Bank Hamra branch moved to a new location, right across the street from the actual one, Wardieh Garden Building.

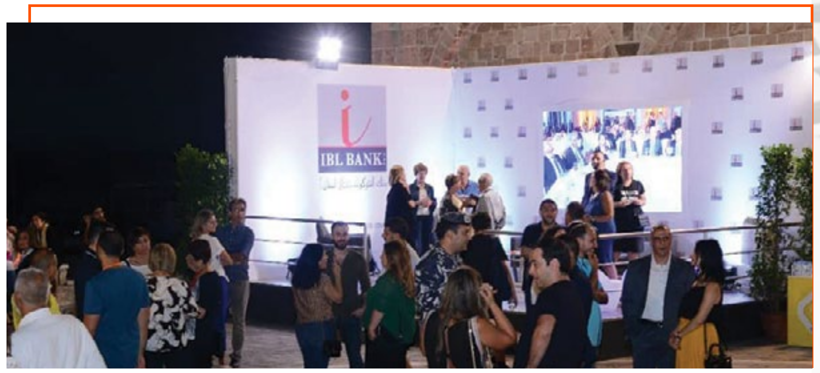
IBL Bank, your health partner

Inauguration Ceremony of the DNA NGS System at the USJ sponsored by IBL Bank, attended by its President Mr. Salim Habib

Monday, April 1, 2019 – The Launching of the very first groundbreaking DNA Next Generation Sequencing laboratory in Lebanon and the region took place at the USJ in collaboration with IBL Bank.

Organized by the Unit of Medical Genetics (UGM), Faculty of Medicine and Health Technology Pole (PTS) of the Université Saint-Joseph in Beirut, the inaugural ceremony was held at the USJ Innovation and Sport Campus under the sponsorship of IBL Bank, in the presence of its president Mr. Salim Habib.

Batroun Festival



The IBL Bank lounge welcomed attendees to the Batroun International Festival 2019, in a nice chill ambience. The festival, hosting leading local and international artists, is another occasion for IBL Bank to reiterate its support to arts and culture.

MANAGEMENT ANALYSIS

"The Prerequisite For Motivation And Success In Any Endeavor Is A Big Vision For Your Future."

B. N. Norton, Motivation Into Success

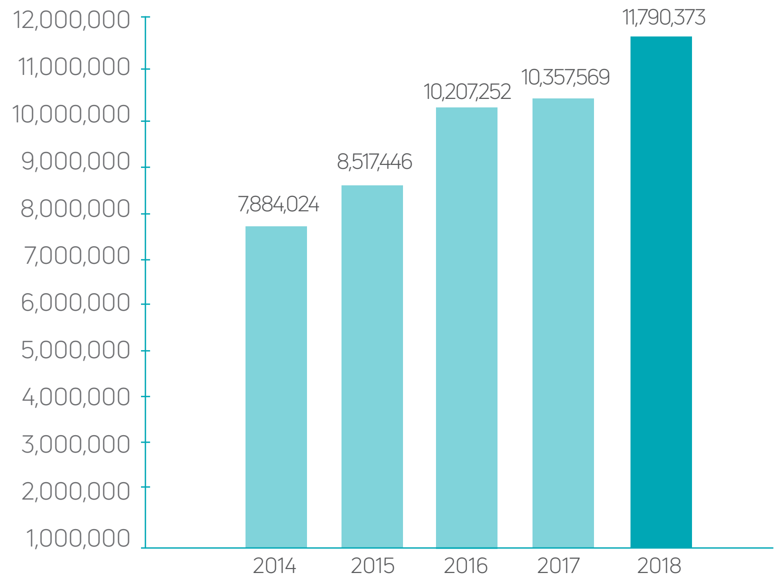
KEY FIGURES

As at 31 December (In Millions of LBP)	2018	% GROWTH 2017/2018	2017	% GROWTH 2016/2017	2016	% GROWTH 2015/2016	2015	% GROWTH 2014/2015	2014
Total Assets	11,790,373	13.83	10,357,569	1.47	10,207,252	19.84	8,517,446	8.03	7,884,024
Customers' and Related Parties accounts	8,834,512	2.34	8,632,109	2.71	8,403,987	10.53	7,603,097	6.35	7,149,142
Shareholders' Equity	957,659	10.00	870,592	13.84	764,719	19.73	638,680	12.77	566,368
Loans & Advances to Customers & Related Parties	1,316,384	-6.18	1,403,029	-8.85	1,539,298	-6.28	1,642,402	5.31	1,559,565
Income for the Year	170,713	11.30	153,383	26.62	121,136	18.08	102,586	14.50	89,593
Liquidity Ratio in LBP	122.17%		122.30%		121.83%		103.31%		102.36%
Liquidity Ratio in FCY	85.77%		84.40%		79.76%		73.24%		72.53%
Liquidity Ratio in LL & FCY	100.71%		100.49%		99.37%		87.14%		85.43%
Return on Average Assets	1.50%		1.45%		1.29%		1.25%		1.19%
Return on Average Equity	19.00%		19.00%		17.50%		17.00%		16.70%

NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

TOTAL ASSETS

Total Assets (In millions of LBP)				
2014	2015	2016	2017	2018
7,884,024	8,517,446	10,207,252	10,357,569	11,790,373



NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

Total assets of the Bank recorded an increase of 13.83% during the year 2018 to reach LBP 11,790,373 million at the end of December 2018, compared to an increase of 11.30% in the Alpha Group of Lebanese Banks.

The main increase in assets was from Cash and deposits with the Central Bank and which was funded by the increase in borrowings from the Central Bank. The increase in Central Bank placements and borrowings was the result of the Bank's participation in the financial engineering implemented by the Central Bank. At the end of 2018, IBL Bank's presence abroad consisted of one branch in Cyprus (Limassol) and three branches in Iraq (Erbil, Baghdad and Basra).

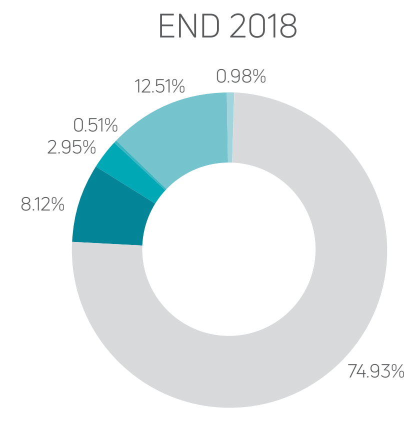
The contribution of entities abroad to the Bank's consolidated total assets increased during the year 2018. It constituted 1.99% as at 31 December 2018 compared to 1.49% as at 31 December 2017.

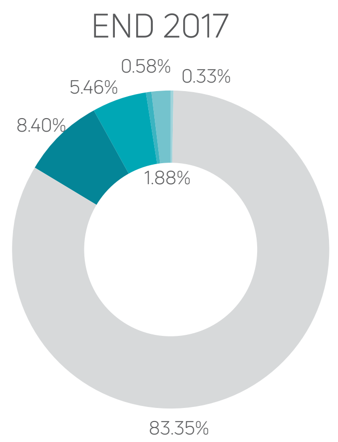
The participation of IBL Investment Bank in total consolidated assets also increased to 7% as at 31 December 2018 up from 5.85% as at 31 December 2017.

Assets denominated in foreign currencies decreased during the year 2018. They constituted 34.74% of total assets as at 31 December 2018 compared to 47.01% as at 31 December 2017.

SOURCES OF FUNDS

Sources of Funds (Amounts in Millions of LBP)	End of year 2018		End of year 2017	
	Amount	%	Amount	%
Deposits from banks and financial institutions	115,483	0.98%	33,822	0.33%
Customers and related parties' accounts	8,834,512	74.93%	8,632,109	83.35%
Shareholders' equity	957,659	8.12%	870,592	8.40%
Other liabilities	347,322	2.95%	565,579	5.46%
Subordinated Bonds	60,677	0.51%	60,560	0.58%
Leverage arrangements with Central Bank of Lebanon	1,474,720	12.51%	194,907	1.88%
	11,790,373	**100.00%**	**10,357,569**	**100.00%**





NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

Similar to all other banks in Lebanon, IBL Bank's main source of funding is customers and related parties' accounts which represented 74.93% of total sources of funds as at 31 December 2018 as compared to 83.35% as at 31 December 2017.

Other funding sources include also shareholders' equity which constituted 8.12% of total sources of funds as at 31 December 2018 and 8.40% as at 31 December 2017.

The share of banks and financial institutions accounted for 0.98% of total sources of funds as at 31 December 2018 and other liabilities comprised 2.95%. Other liabilities include loans from Central Bank of Lebanon amounting to LBP 217 billion made in connection with intermediate Circular 313 and its amendments by which the Bank benefited from credit facilities granted against loans the Bank has granted to its customers according to certain rules, conditions and mechanism.

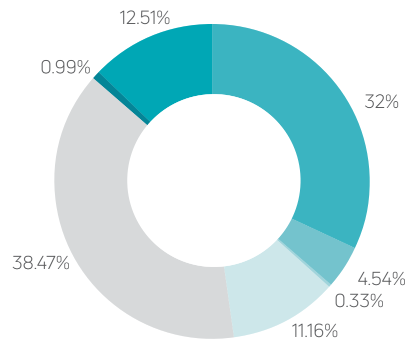
The subordinated bonds that IBL Bank has issued during 2015 constituted 0.51% of total sources of funds as at 31 December 2018. Leverage arrangements with Central Bank of Lebanon constituted 12.51% of total sources of funds.

Interest-bearing liabilities as a share of total liabilities represented 88.93% as at 31 December 2018 as compared to 86.14% as at 31 December 2017.

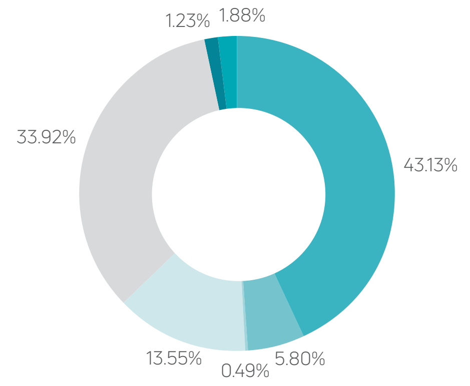
USES OF FUNDS

Uses of Funds (Amounts in Millions of LBP)	End of year 2018		End of year 2017	
	Amount	%	Amount	%
Cash and Deposits with Central Banks	3,773,512	32.00%	4,467,975	43.13%
Deposits with Banks and Financial Institutions	534,754	4.54%	600,784	5.80%
Loans to Banks and Financial Institutions	39,303	0.33%	50,485	0.49%
Loans and Advances to customers and related parties	1,316,384	11.16%	1,403,029	13.55%
Investment Securities	4,535,544	38.47%	3,513,262	33.92%
Other Assets	116,156	0.99%	127,127	1.23%
Assets under leverage arrangements with the Central Bank of Lebanon	1,474,720	12.51%	194,907	1.88%
	11,790,373	**100.00%**	**10,357,569**	**100.00%**

END 2018



END 2017



NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

Maintaining a high asset quality and a strong portfolio of investments is pivotal to IBL Bank's strategy. This is reflected in the return on average assets ratio which stood at 1.50% as at 31 December 2018 as compared to 1.45% as at 31 December 2017. IBL Bank is ranking Second between the Alpha Group of Banks in terms of Return On Average Assets ratio according to Bank Data.

"Cash and Deposits with Central Banks" constituted 32.00% of total assets as at 31 December 2018 and 44.51% if considering the "assets under leverage arrangements". The share of "Deposits with Banks and Financial Institutions" to total assets decreased from 5.80% as at 31 December 2017 to 4.54 % as at 31 December 2018.

"Loans to Banks and Financial Institutions" as at 31 December 2018 constituted 0.33% of total assets, down from 0.49% as at 31 December 2017.

On the other hand, the share of "loans and advances to customers and related parties" to total assets decreased from 13.55 % as at 31 December 2017 to 11.16% as at 31 December 2018.

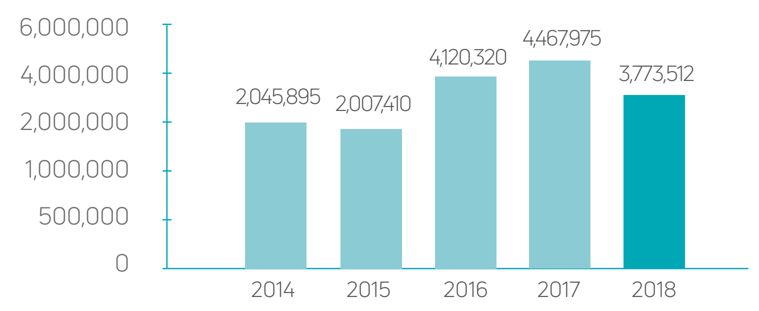
Within the overall uses of funds, the share of "Investment Securities" to total assets increased to 38.47% in 2018 up from 33.92% in 2017.

"Other assets" constitutes a slight share of total assets.They accounted for 0.99% as at 31 December 2018 as compared to 1.23% as at 31 December 2017. They are mainly constituted of "property and equipment" in a percentage of 52.68% of total "other assets" and "assets acquired in satisfaction of debts" in a percentage of 21.80% at the year ended December 2018 as compared to 42.38% and 19.36% respectively at the year ended December 2017.

CASH AND DEPOSITS WITH CENTRAL BANKS

Cash and Deposits with Central Banks (In millions of LBP)

2014	2015	2016	2017	2018
2,045,895	2,007,410	4,120,320	4,467,975	3,773,512



NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

"Cash and deposits with Central Banks" are distributed as follows:

(Amounts in Millions of LBP)	End of year 2018		End of year 2017	
	Amount	%	Amount	%
Cash on hand	43,915	1.16%	40,183	0.90%
Current accounts with Central Banks	348,313	9.23%	405,993	9.09%
Interest earning accounts	3,397,586	90.04%	4,021,799	90.01%
Expected Credit Losses	-16,302	-0.43%		
	3,773,512	**100.00%**	**4,467,975**	**100.00%**

As at 31 December 2018 "Cash and Deposits with Central Banks" amounted to LBP 3,773,512 million and constituted 32.00% of total assets as compared to LBP 4,467,975 million and 43.14% of total assets as at 31 December 2017, reflecting a decrease of 15.54%.

Current accounts with Central Banks include compulsory deposits in Lebanese Pounds with the Central Bank of Lebanon not available for use in the Bank's day-to-day operations in the amount of LBP 263.3 billion as at 31 December 2018 as compared to LBP 247.7 billion as at 31 December 2017.

These compulsory reserves are computed on the basis of 25% and 15% of the average weekly sight and term customers' deposits in Lebanese Pounds in accordance with prevailing banking regulations.

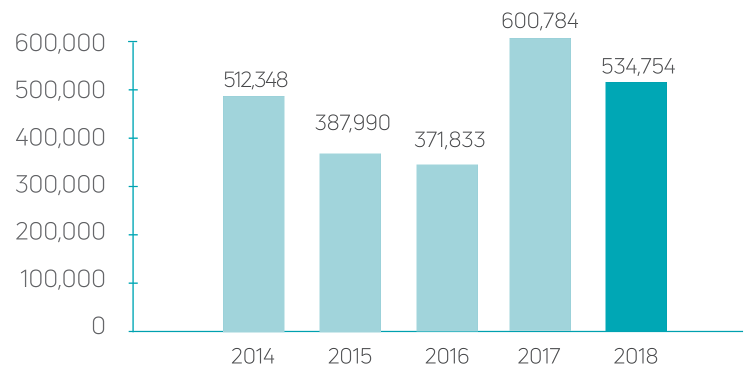
Interest earning accounts which represented 90.04% of total "Cash and Deposits with Central Banks" at the year end December 2018, are constituted of term placements with Central Banks that amounted to LBP 3,344,208 million and they include provisions for term placements held with Central Bank of Kurdistan in the aggregate amount of LBP 4,801 million. It is worth noting that the Central Bank of Iraq-Kurdistan region started repaying its exposure in 2018 and ended up reimbursing almost US$ 11 million out of US$ 12 million total exposure. Consequently, the provisions equal to the repayment amount were released and the same amount was constituted under Expected Credit Losses.

Term placements with Central Banks also include the equivalent in foreign currencies of LBP 783 billion as at 31 December 2018 deposited with the Central Bank of Lebanon in accordance with local banking regulations which require banks to maintain interest bearing reserves in foreign currency to the extent of 15% of customers' deposits, bonds, certificates of deposits and loans acquired from Non Resident financial institutions in foreign currency.

DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

Deposits with Banks and Financial Institutions (In millions of LBP)

2014	2015	2016	2017	2018
512,348	387,990	371,833	600,784	534,754



NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

"Deposits with Banks and Financial Institutions " are distributed as follows:

(Amounts in Millions of LBP)	End of year 2018 Amount	%	End of year 2017 Amount	%
Current accounts with Banks	332,156	62.11%	299,138	49.79%
Term placements with Banks	192,772	36.05%	286,425	47.68%
Checks for collection	10,057	1.88%	15,140	2.52%
Accrued Interest	88	0.02%	81	0.01%
Expected Credit Losses	-319	-0.06%		
	534,754	**100.00%**	**600,784**	**100.00%**

As at 31 December 2018, "Deposits with banks and financial institutions" amounted to LBP 534,754 million and constituted 4.54% of total assets as compared to LBP 600,784 million and 5.80% as at 31 December 2017, reflecting a year-on-year decrease of 10.99%.

As shown on the breakdown above, term placements constituted 36.05% of total "deposits with banks and financial institutions" as at 31 December 2018 down from 47.68% as at 31 December 2017.

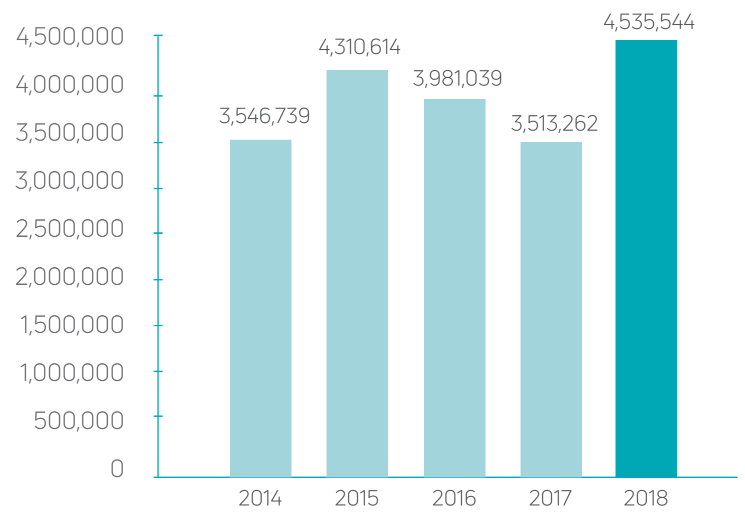
99.54% of the current and term deposits are denominated in foreign currencies, and all the term deposits as at 31 December 2018 have contractual maturities of less than three months.

"Deposits with banks and financial institutions" are geographically distributed as follows: 5.13% in Lebanon and 94.87% in low risk countries mainly in Europe and the USA.

INVESTMENT SECURITIES PORTFOLIO

Investment Securities Portfolio (In millions of LBP)

2014	2015	2016	2017	2018
3,546,739	4,310,614	3,981,039	3,513,262	4,535,544



NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

IBL Bank's investment securities portfolio increased by LBP 1,022,282 million during 2018 to reach LBP 4,535,544 million as at 31 December 2018.They represented 38.47% of total uses of funds as compared to 33.92% as at 31 December 2017.

IBL Bank's investment securities portfolio is predominantly made of securities classified at Amortized Cost in the percentage of 94.49% of total portfolio as at 31 December 2018 as compared to 77.33% as at 31 December 2017. Investment securities at Amortized cost are presented in the balance Sheet net of Expected Credit Losses which amounted at LBP 82,676 million.

Investment securities classified at fair Value Through Profit and Loss constituted 5.51% of the total portfolio as at 31 December 2018 compared to 22.67% as at 31 December 2017.

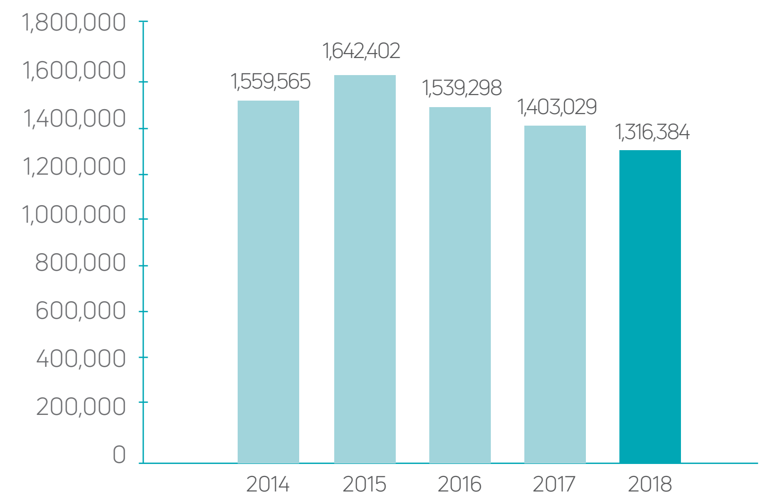
Investments in Central Bank certificates of deposits, in both LBP and foreign currencies, represented 2.27% of the Bank's portfolio as at 31 December 2018 as compared to 1.82% as at 31 December 2017 and they constituted 41.37% of total securities portfolio classified at Fair Value Through Profit and Loss as compared to 8.01% as at 31 December 2017.

The Group's business model for debt securities was amended during 2018. As a result, the Group transferred government bonds with carrying value in the equivalent of LBP 728 billion from FVTPL to Amortized cost portfolio.

A currency analysis of the investment securities portfolio reveals that the US Dollar portfolio constituted 42.00% of the total as at 31 December 2018, while 58.00% of the securities portfolio was denominated in Lebanese currency.

LOANS AND ADVANCES TO CUSTOMERS AND RELATED PARTIES

Loans And Advances To Customers And Related Parties (in millions of LBP)				
2014	2015	2016	2017	2018
1,559,565	1,642,402	1,539,298	1,403,029	1,316,384



NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

As at 31 December 2018, the IBL Group's "Loans and advances to Customers and Related Parties", net of allowances for Expected Credit Losses (ECL) and unrealized interests, amounted to LBP 1,316,384 million compared to LBP 1,403,029 million as at 31 December 2017, which means a decrease of 6.17%.

This decrease is mainly due to the difficult economic situation which affected the Lebanese debtors and made the Banks more conservative in lending, and it is also due to the increase in debit interest rates which discouraged customers' requests for new credit facilities.

"Loans and advances to customers and related parties" constituted 11.16% of total assets as at 31 December 2018 as compared to 13.55% as at 31 December 2017. 73.25% of total loans are denominated in foreign currencies and mostly in US dollars. The high dollarization of the Bank's loan portfolio is in line with the loan portfolios of the Bank's peers, and reflects the state of the Lebanese economy for the past decades.

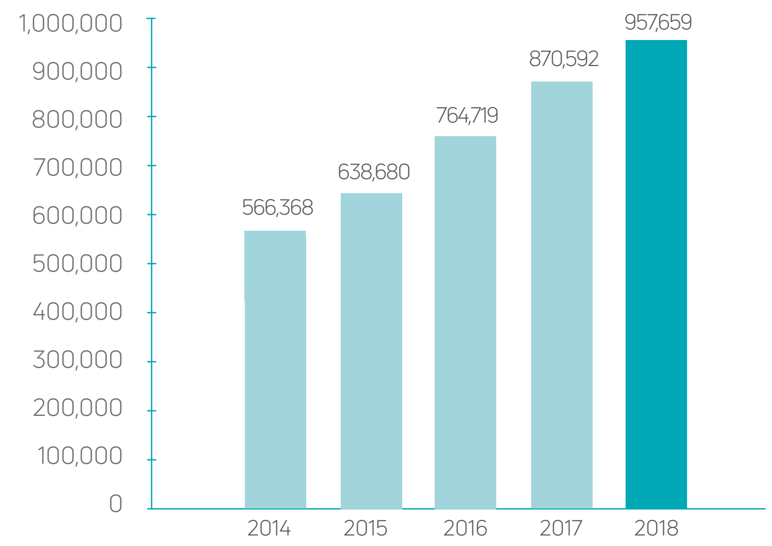
In order to maintain a high asset quality, IBL Bank continued to adopt a conservative loan strategy. The ratio of net loans and advances to total deposits has been maintained at relatively low levels reaching 14.90% as at 31 December 2018 as compared to 16.25% as at 31 December 2017.

A significant proportion of the bank's loans and advances are secured by prime and enforceable guarantees which include cash collateral, prime real estate mortgages, pledge of securities and bank and personal guarantees.

During the year 2018, the Group has adopted the International Financial Reporting Standard 9 which requires Banks to determine and recognize Expected Credit Losses.
Total Allocated Expected Credit Losses provisions for performing loans (Stages 1 and 2) as at 31 December 2018 amounted to LBP 64,911 million and for doubtful loans (Stage 3) as at 31 December 2018, it amounted to LBP 34,795 million.

SHAREHOLDERS' EQUITY

Shareholders' Equity (In millions of LBP)				
2014	2015	2016	2017	2018
566,368	638,680	764,719	870,592	957,659



NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

IBL Bank's Shareholders' Equity, as at 31 December 2018, stood at LBP 957,659 million compared to LBP 870,592 million as at 31 December 2017, reflecting an increase of 10.00%. Its contribution to total sources of funds remained almost stable at 8.12% as at 31 December 2018 compared to 8.40% as at 31 December 2017.

The increase in Shareholders' Equity was mainly attributed to retained earnings of the year 2017 after dividend distribution, as well as the increase in the profits of the financial year 2018.

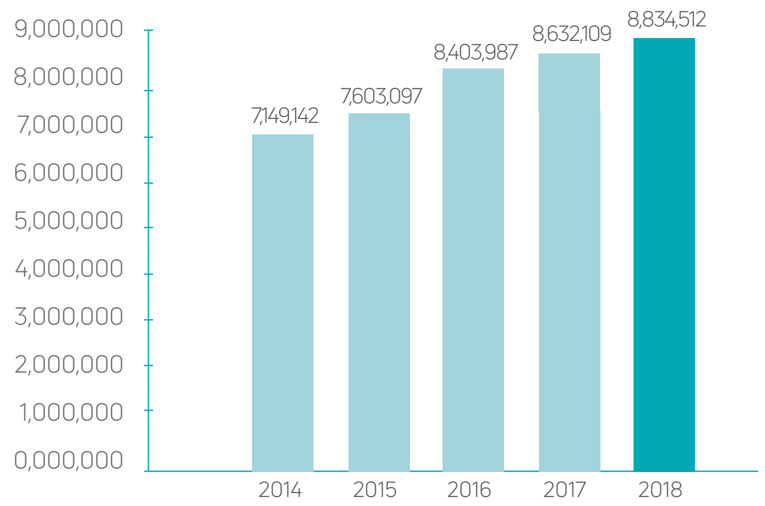
Tier I capital which is the main source of equity comprises common shares capital, non-cumulative perpetual preferred shares, share premium, reserves from appropriation of profits, retained earnings (exclusive of expected dividends distribution) and non-controlling interests after deductions for intangible assets.

Tier II Capital is composed of asset revaluation surplus and reserves for assets acquired in satisfaction of debts. They increased from LBP 14,670 million as at 31 December 2017 to LBP 16,502 million as at 31 December 2018.

To the above Tier II capital, US$ 40 million is added after the issuance, during 2015, of IBL Bank's 10 years subordinated bonds that are classified under long term liabilities.

CUSTOMERS' AND RELATED PARTIES' ACCOUNTS

Customers' and Related Parties' Accounts (In millions of LBP)				
2014	2015	2016	2017	2018
7,149,142	7,603,097	8,403,987	8,632,109	8,834,512



NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

Despite the challenging domestic and external conditions in 2018, total Customers' and Related Parties' accounts of IBL Bank increased by 2.34% reaching LBP 8,834,512 million as at 31 December 2018 compared to an increase of 2.71% in 2017 and compared to an increase of 2.10% in the Alpha Group of banks according to Bankdata. Customer's and Related Parties' accounts represent the major source of funds with a share of 74.93% as at 31 December 2018 compared to a share of 83.35% as at 31 December 2017.

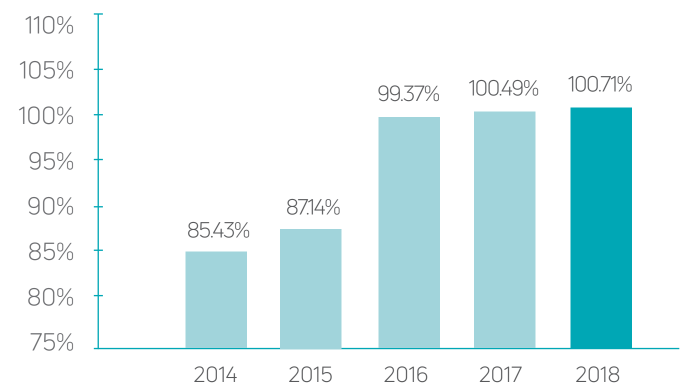
Total Customers' and Related Parties' accounts went up by LBP 202,403 million given the expansion of deposits denominated in foreign currencies by LBP 194,417 million and in domestic currency by LBP 7,986 million.

As at 31 December 2018, Customers' and Related Parties' accounts held in Foreign Currencies, principally in US Dollars, represented 59.09% of total Customers' and Related Parties' accounts, compared to 58.22% as at 31 December 2017, still below the deposits dollarization ratio in the Lebanese banking sector.

The composition of Customers' and Related Parties' accounts remained also unchanged. They were comprised mainly of term deposits which consisted of 86.34% of total Customers' and Related Parties' accounts as at 31 December 2018 compared to 84.60% as at 31 December 2017. As at 31 December 2018, the major part of the consolidated Customers' and Related Parties' accounts were sourced by Lebanese entities of the Group.

LIQUIDITY RATIO

Liquidity Ratio				
2014	2015	2016	2017	2018
85.43%	87.14%	99.37%	100.49%	100.71%



NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

IBL Bank has successfully maintained ample liquidity in 2018 where overall liquidity stood at 100.71%. As such, the Lebanese Pound Liquidity Ratio (including Lebanese governmental Treasury bills) was 122.17% as at 31 December 2018 reflecting an available liquidity covering Lebanese Pounds deposits in total.

Moreover, the liquidity ratio in foreign currencies accounted to 85.77% as at 31 December 2018 as compared to 84.40% as at 31 December 2017. Management considers the bank's liquidity position to be strong based on its liquidity ratios as at 31 December 2018 and believes that the Bank's funding capacity is sufficient to meet its On and Off-balance sheet obligations. IBL Bank's financial position structure is run in a way to maintain high diversification and a low concentration among different sources of funds.

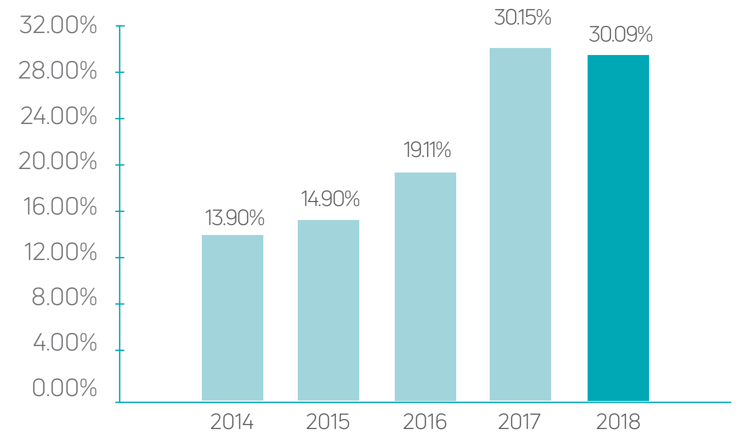
The Bank performs liquidity stress tests as part of its liquidity management. The purpose is to always ensure sufficient liquidity for the Bank under different stress conditions. The Bank has a variety of liquidity measures that are regularly monitored and include limits on maturity gaps and ratios covering the concentration of deposits base, the availability and concentration of liquid assets.

Maturity mismatch between assets and liabilities which characterizes the Lebanese Banking sector was also present at IBL Bank. This mismatch is considered as low risk, especially that maturing deposits do not actually materialize in cash outflows and are generally automatically renewed.

The Alco (Assets and Liabilities Committee) manages the mismatches by maintaining strict liquidity criteria on investments and by following the behavior of deposits which have a proved track record of being recurring and core. All liquidity policies and procedures are subject to review and approval by Alco, the Board Risk Committee and ultimately the Board of Directors.

CAPITAL ADEQUACY RATIO

Capital Adequacy Ratio				
2014	2015	2016	2017	2018
13.90%	14.90%	19.11%	30.15%	30.09%



NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

The consolidated Basel III Capital Adequacy Ratio of IBL Group stood at 30.09% by the end of 2018 compared to 30.15% by the end of 2017. Tier I Capital and Common Equity Tier I (CET1) ratios amounted to 18.77% and 16.27% respectively. These ratios are measured according to Basel III and Central Bank requirements. The statutory minimum total Capital Adequacy Ratio requested by Central Bank of Lebanon is 15.00% as at end of December 2018 which was raised from 14.50% as at end of December 2017.

Lebanese Banks are required to abide by the minimum set limits for the following three Capital Adequacy Ratios:

Ratio	"IBL Bank as at 31 Dec. 2018"	"BDL requirements as at 31 Dec. 2018"*
Common Equity Tier 1	16.27%	10.00%
Tier 1 Capital	18.77%	13.00%
Total Capital	30.09%	15.00%

* Including a Capital Conservation Buffer of 4.50%

IBL Bank consolidated CAR ratios are clearly above the regulatory requirements in December 2018. BDL required ratios are based on Intermediate circular No 436 dated 30 September 2016 (Basic circular No 44) which sets new floors for capital ratios of 10%, 13% and 15% respectively to be reached by 31 December 2018.The target ratios include a capital conservation buffer of 4.50% of the total risk weighted assets, while the Basel Committee of Banking Supervision target ratios at 1 January 2019 include a capital conservation buffer of 2.50%.

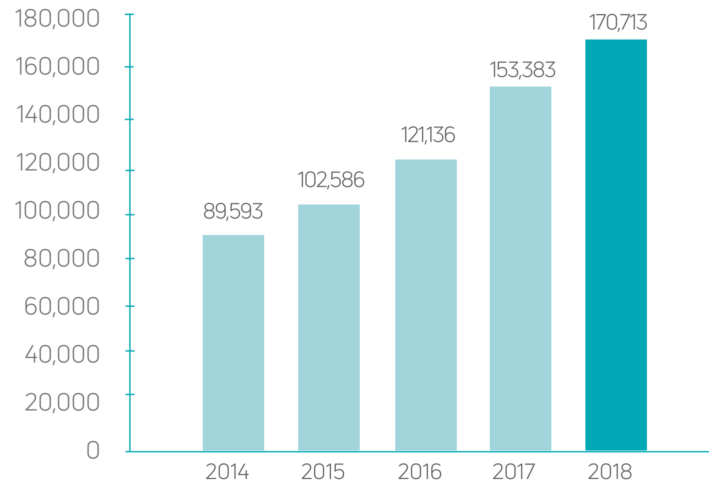
As for the leverage ratio, it reached 10.64% as at 31 December 2018 based on BDL's definition. It is calculated by dividing the Tier I over the total assets plus the off-balance sheet items. The Basel Committee on Banking Supervision (BCBS) has set the minimum leverage ratio at 3%.

Moreover, the Bank has conducted stress tests scenarios to assess the impact on its capital and liquidity of higher Credit, Market, Interest rate, operational and liquidity risks Stress tests performed in 2018 showed that the Bank's solvency and liquidity remain adequate even under severe scenarios.

The Bank performs the stress-test scenarios at least annually upon the preparation of the ICAAP document.

PROFITABILITY

Profitability (In millions of LBP)				
2014	2015	2016	2017	2018
89,593	102,586	121,136	153,383	170,713



NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

In 2018, IBL Bank net income amounted to LBP 170,713 million compared to LBP 153,383 million in 2017, increasing by 11.30%.

This growth is mainly due to the increase in net financial revenues, after impairment charge for credit losses, from LBP 254,829 million as at 31 December 2017 to LBP 293,421 million as at 31 December 2018. IBL Bank's growth in Net Profits was achieved despite the bank's conservative strategy showed by the net allowance for impairment of loans and advances and the Expected Credit Losses which amounted at LBP 31,460 million as at 31 December 2018 as compared to LBP 12,173 million as at 31 December 2017.

IBL's performance is also reflected in the Bank's high profitability ratios that are among the highest in the Lebanese banking sector.

In fact, IBL Bank's Return on Average Assets (ROAA) stood at 1.50% at the end of 2018 while the Bank's Return on Average Equity (ROAE) stood at 19.00%, ranking first in ROAE ratio and second in ROAA ratio between the Lebanese Group Alpha according to Bankdata.

Staff and Administrative expenses reached LBP 79,464 million as at 31 December 2018 as compared to LBP 67,389 million as at 31 December 2017.

Staff expenses increased by 21.24% in 2018 to reach LBP 52,534 million. That said, IBL is still maintaining a low cost to income ratio of 25.80% as at 31 December 2018 ranking first in the Alpha Group whose average was 48.7% as at 31 December 2018. On the other hand, earnings per share increased to LBP 8,536 (US$ 5.67) in 2018 from LBP 7,670 (US$ 5.09) in 2017.

LIST OF MAIN CORRESPONDENTS

Correspondent	City	SWIFT Code	Currency
Banco de Sabadell SA	Barcelona	ATLAESMM	EUR
Danske Bank A/S	Copenhagen	DABADKKK	DKK
Doha Bank	Doha	DOHBQAQA	QAR
Al Khaliji France SA	Dubai	LICOAEAD	AED
Commerzbank AG	Frankfurt	COBADEFF	EUR
Banque Cantonale de Genève	Geneva	BCGECHGG	CHF
The National Commercial Bank	Jeddah	NCBKSAJE	SAR
The Commercial Bank of Kuwait	Kuwait	COMBKWKW	KWD
Citibank NA	London	CITIGB2L	GBP
Intesa Sanpaolo spa	Milano	BCITITMM	EUR
Bank of Montreal	Montreal	BOFMCAM2	CAD
The Bank of New York Mellon	New York	IRVTUS3N	USD
Citibank NA	New York	CITIUS33	USD
JP Morgan Chase Bank NA	New York	CHASUS33	USD
Bank of Cyprus Public Company LTD	Nicosia	BCYPCY2N	EUR
DNB Nor Bank ASA	Oslo	DNBANOKK	NOK
Société Générale	Paris	SOGEFRPP	EUR
Skandinaviska Enskilda Banken	Stockholm	ESSESESS	SEK
Bank of Sydney	Sydney	LIKIAU2S	AUD
The Bank of New York Mellon	Tokyo	IRVTJPJX	JPY

Main Resolutions of the Ordinary General Assembly Held on July 5, 2019

Resolution 1

The Ordinary General Assembly, after listening to the reports of the Board of Directors and the external Auditors regarding the accounts of the year 2018, and after reviewing the balance sheet and the profit and loss accounts for the same year, decided:

The ratification of the reports, the balance sheets and all other accounts of the Bank relating to the fiscal year ending on 31/12/2018.

Decision taken unanimously.

Resolution 2

The Ordinary General Assembly, after taking note of the net profits realized during 2018, which amounted to LBP 147,254 million decided:

1) The Distribution of US$ 5,625 Thousand of these profits, to the holders of series 3 preferred shares, amount which represents 7.50% of the issue price amounted to US$ 100 for each share, pursuant to the third decision (Item 4, par A) of the Extraordinary General Assembly held on September 15, 2016.

2) The distribution of LBP 96,480 million (approximately US$ 64 million) of these profits to the Common Shareholders in proportion of their participation in the Bank's Capital.

3) It was also decided to transfer the remaining balance of the net profits of the year 2018 amounting to LBP 42,294 million to retained earnings (previous results).

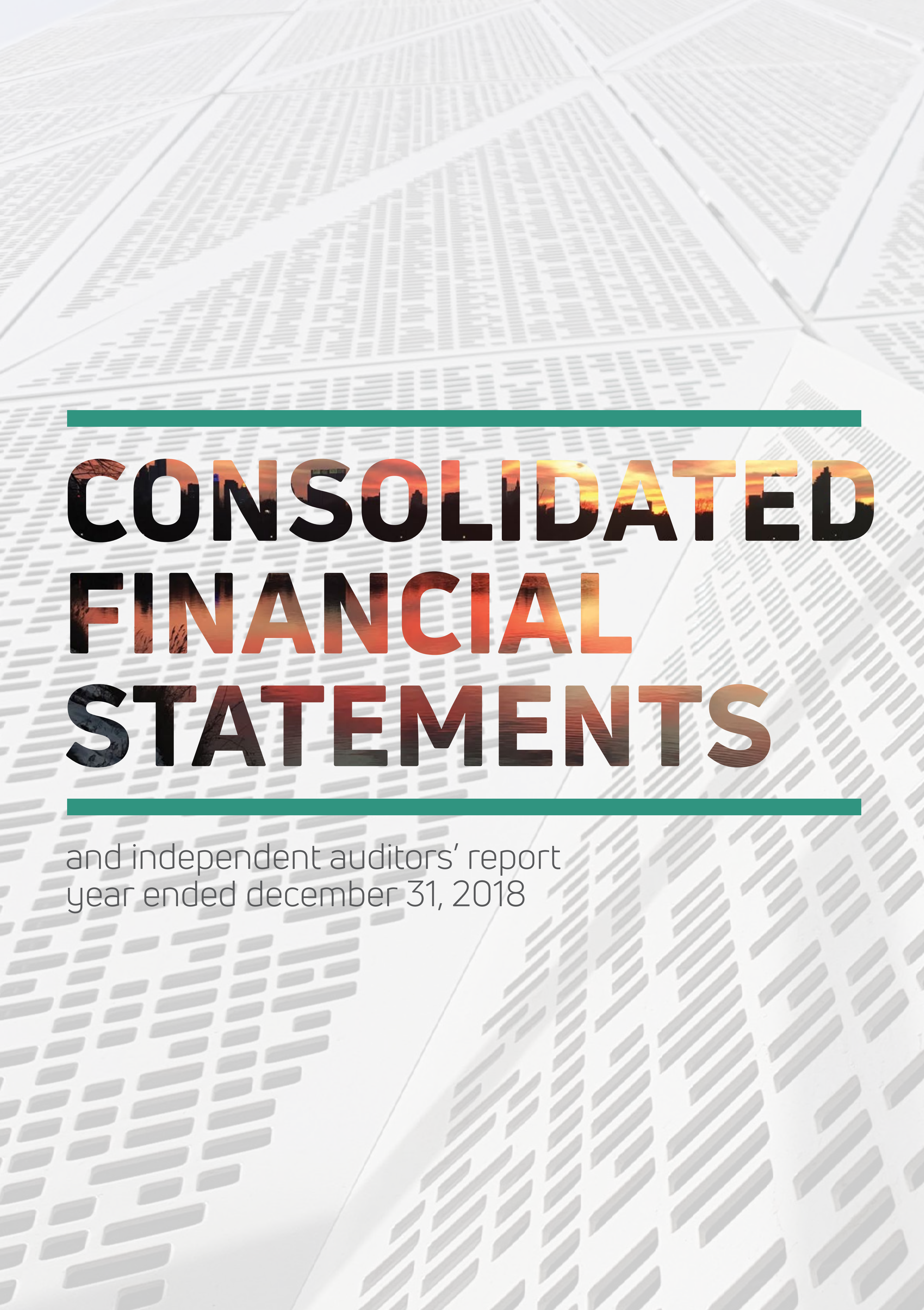
Decision taken unanimously.

Resolution 6

The Ordinary General Assembly, after going through the reports of the Board of Directors and the external Auditors in compliance with article 158 of the Code of Commerce And article 152 paragraph.4 of the Code of Money and Credit, decided:

The ratification of the activities carried out in accordance to the above-mentioned laws, and renewal of the prior authorization given to the Directors to act according to those articles, in addition to the prior authorization of article 159 of the Code of Commerce.

Decision taken unanimously.



CONSOLIDATED FINANCIAL STATEMENTS

and independent auditors' report
year ended december 31, 2018

INDEPENDENT AUDITORS' REPORT

To the Shareholders
IBL Bank S.A.L.
Beirut, Lebanon

Opinion

We have audited the accompanying consolidated financial statements of IBL Bank SAL (the "Bank") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated statement of cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the Code of Ethics of the Lebanese Association of Certified Public Accountants that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter
Adoption of IFRS 9: Financial Instruments

The Group adopted IFRS 9 Financial Instruments (as revised in July 2014) including impairment requirements on its mandatory effective date of implementation on January 1, 2018, which resulted in changes in accounting policies and adjustments to amounts previously recognised in the consolidated financial statements. As permitted by transitional provisions of IFRS 9, the Group elected not to restate the comparative figures and recorded an adjustment of LBP89billion to the opening reserves in the consolidated statement of changes in equity as at January 1, 2018.

The changes required to processes, systems and controls to comply with IFRS 9 were significant, as the standard requires a fundamental change to the way and when credit losses are recognised and how these are measured by changing the impairment model from an Incurred Loss model to an Expected Credit Loss (ECL) model.

The Bank and the Group establish allowances for impairments on loans and advances to customers and investment securities for expected credit losses on both an individual and on a collective basis.

The related risks identified are summarized as follows:

- Judgements, assumptions and estimates, which includes adopting a 'default' definition and methodologies for developing PDs at origination, lifetime-PDs, loss given default (LGD); and (exposure at default EAD) and macroeconomic models.

- Inadequate data, as well as lack of uniformity in the data is used which makes it difficult to develop models which are sufficient for IFRS 9 impairment requirements.

- Inappropriate segmentation of portfolios is used to develop risk parameters.

- The number and range of forward-looking scenarios are not representative of an appropriate range of possible outcomes.

- Significant increases (or reductions) in credit risk (movements between Stage 1, Stage 2 and Stage 3) are not completely or accurately identified on a timely basis.

- Assumptions incorporated in the ECL model are not updated on a timely basis.

The Notes 3, 4 and 43 to the consolidated financial statements include disclosures on the Group's judgments, assumptions, estimates and methodologies adopted as well as information about impairment of the Group's financial assets

How our audit addressed the key audit matters

We updated our understanding of the Group's adoption of IFRS 9 and identified the internal controls including entity level controls adopted by the Group for the accounting, processes and systems under the new accounting standard.

In addition, our work performed includes the below procedures:

- Evaluate the appropriateness of key technical decisions, judgments and accounting policy elections made by the Group to ensure compliance with IFRS 9 impairment requirements.

- Evaluate the reasonableness of management's key judgements and estimates made in the ECL calculation, including but not limited to the selection of methods, models, assumptions and data sources.

- Evaluate the appropriateness and testing the mathematical accuracy of the ECL model applied.

- Test the controls related to the credit impairment process and verified the integrity of data used as input to the models.

- Evaluate post model adjustments and management overlays in order to assess the reasonableness of these adjustments.

- Assess the reasonableness of forward looking information incorporated into the impairment calculations.

- Assessment on whether significant increase in credit risk (SICR) indicators are present for the financial assets portfolio based on IFRS 9 and the possible implications on the ECL staging and expected provisioning.

- Credit file classification supports the staging of relevant exposures, on a sample basis.

- Assess whether the disclosures appropriately disclose and address the uncertainty, which exists when determining the expected credit losses. In addition, we assessed whether the disclosure of the key judgements and assumptions made was sufficiently clear.

Other Information

Management is responsible for the other information included in the Annual Report. The other information does not include the consolidated financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
• Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Beirut, Lebanon
June 11, 2019

DFK Fiduciaire du Moyen Orient

Deloitte & Touche

Deloitte & Touche

IBL BANK S.A.L.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Cash and deposits with central banks	5	3,773,511,376	4,467,974,873
Deposits with banks and financial institutions	6	534,754,349	600,784,341
Loans to banks and financial institutions	7	39,303,120	50,484,852
Loans and advances to customers	8	1,244,825,112	1,334,544,247
Loans and advances to related parties	9	71,559,081	68,484,403
Investment securities at fair value through profit or loss	10	249,844,136	796,322,194
Investment securities at amortized cost	11	4,285,700,201	2,716,940,496
Customers' liability under acceptances	12	18,490,206	38,665,861
Assets under leverage arrangement with the Central Bank of Lebanon	13	1,474,719,815	194,906,550
Assets acquired in satisfaction of loans	14	25,321,535	24,612,014
Property and equipment	15	61,190,159	53,878,332
Intangible assets	16	751,216	816,049
Other assets	17	10,402,371	9,155,035
Total Assets		**11,790,372,677**	**10,357,569,247**
FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK:	38		
Documentary and commercial letters of credit		43,469,179	39,071,825
Guarantees and standby letters of credit		109,658,017	118,793,032
Forward exchange contracts		51,289,121	88,543,899

THE ACCOMPANYING NOTES 1 TO 46 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

LIABILITIES	Notes	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Deposits from banks and financial institutions	18	115,483,423	33,821,817
Customers' accounts	19	8,517,595,871	8,345,810,651
Related parties' accounts	19	316,915,647	286,298,035
Liability under acceptance	12	18,526,912	38,665,861
Other borrowings	20	217,387,662	209,861,921
Leverage arrangements with Central Bank of Lebanon	13	1,474,719,815	194,906,550
Other liabilities	21	70,334,654	254,997,214
Provisions	22	41,072,904	62,055,192
		10,772,036,888	**9,426,417,241**
Subordinated bonds	23	60,676,875	60,560,199
Total liabilities		**10,832,713,763**	**9,486,977,440**
EQUITY			
Capital	24	150,000,000	150,000,000
Non-cumulative convertible preferred shares	25	113,034,375	113,034,375
Common shares premium		6,514,784	6,514,784
Reserves	26	163,566,451	142,649,602
Asset revaluation surplus		2,752,680	2,752,680
Regulatory reserve for assets acquired in satisfaction of loans	14	13,749,438	11,917,515
Retained earnings		335,123,316	288,752,947
Profit for the year		170,587,157	152,765,520
Equity attributable to equity holders of the Bank		955,328,201	868,387,423
Non-controlling interests	28	2,330,713	2,204,384
Total equity		**957,658,914**	**870,591,807**
Total Liabilities and Equity		**11,790,372,677**	**10,357,569,247**

THE ACCOMPANYING NOTES 1 TO 46 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

IBL BANK S.A.L.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Interest income		913,977,318	647,583,902
Withholding tax		(46,102,277)	(3,790,171)
Interest income, net of tax	29	867,875,041	643,793,731
Interest expense	30	(593,872,034)	(493,904,877)
Net interest income		**274,003,007**	**149,888,854**
Fee and commission income	31	9,912,567	9,945,683
Fee and commission expense	32	(1,477,330)	(1,211,464)
Net fee and commission income		**8,435,237**	**8,734,219**
Other operating income	33	1,064,951	7,984,099
Net interest and other gain on investment securities at fair value through profit or loss	34	41,377,536	100,394,190
Net financial revenues		**324,880,731**	**267,001,362**
Allowance for impairment of loans and advances (net)	35	-	(12,172,809)
Expected credit losses	43	(31,460,200)	-
Net financial revenues after impairment charge for credit losses		**293,420,531**	**254,828,553**
Allowance for risk and charges (net)	22	(5,486,366)	(11,802,713)
Staff costs	36	(52,534,171)	(43,333,039)
General and administrative expenses	37	(26,930,181)	(24,055,832)
Depreciation and amortization	15,16	(3,934,923)	(4,257,156)
Other expenses	15,21	(133,404)	(580,669)
Profit before income tax		**204,401,486**	**170,799,144**
Income tax expense	21	(33,688,000)	(17,416,300)
Profit for the year		170,713,486	153,382,844
Other comprehensive income		-	-
Total comprehensive income for the year		**170,713,486**	**153,382,844**
Attributable to:			
Equity holders of the Bank		170,587,157	152,765,520
Non-controlling interests	28	126,329	617,324
		170,713,486	**153,382,844**

THE ACCOMPANYING NOTES 1 TO 46 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

IBL BANK S.A.L.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK					ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK					
	Capital LPB'000	Non-Comulative Convertible Preferred Shares LPB'000	Common Shares Premium LPB'000	Reserves LPB'000	Asset Revaluation Surplus LPB'000	Regulatory Re-serve For Assets Aquired Satisfac-tion of Loans LPB'000	Retained Earnings LPB'000	Profit for The Year LPB'000	Total Attributable to the Equity Holders of the Bank LPB'000	Non-Controlling Interests LPB'000	Total LPB'000
Balance as at January 1, 2017	150,000,000	113,034,375	6,514,784	119,879,706	2,752,680	10,717,070	239,345,824	120,887,958	763,132,397	1,587,060	764,719,457
Allocation of 2016 profit	-	-	-	22,088,099	-	-	98,799,859	(120,887,958)	-	-	-
Regulatory reserve for assets acquired in satisfaction of loans	-	-	-	-	-	1,200,445	(1,200,445)	-	-	-	-
Unspecified banking risk reserve	-	-	-	711,000	-	-	(711,000)	-	-	-	-
Other movement	-	-	-	35,797	-	-	(35,797)	-	-	-	-
Dividends paid (Note 27)	-	-	-	-	-	-	(47,539,688)	-	(47,539,688)	-	(47,539,688)
Difference in exchange	-	-	-	(65,000)	-	-	94,194	-	29,194	-	29,194
Total comprehensive income for the year 2017	-	-	-	-	-	-	-	152,765,520	152,765,520	617,324	153,382,844
Balance as at December 31, 2017	150,000,000	113,034,375	6,514,784	142,649,602	2,752,680	11,917,515	288,752,947	152,765,520	868,387,423	2,204,384	870,591,807
First time adoption impact of IFRS 9 (Note 2)	-	-	-	(89,139,000)	-	-	-	-	(89,139,000)	-	(89,139,000)
Transfer from regulatory deferred liability (Note 21)	-	-	-	89,139,000	-	-	-	-	89,139,000	-	89,139,000
Allocation of 2017 profit	-	-	-	20,782,066	-	-	131,983,454	(152,765,520)	-	-	-
Regulatory reserve for assets acquired in satisfaction of loans	-	-	-	-	-	1,831,923	(1,831,923)	-	-	-	-
Other movement	-	-	-	43,783	-	-	(43,783)	-	-	-	-
Dividends paid (Note 27)	-	-	-	-	-	-	(83,879,693)	-	(83,879,693)	-	(83,879,693)
Difference in exchange	-	-	-	91,000	-	-	142,314	-	233,314	-	233,314
Total comprehensive income for the year 2018	-	-	-	-	-	-	-	170,587,157	170,587,157	126,329	170,713,486
Balance as at December 31, 2018	**150,000,000**	**113,034,375**	**6,514,784**	**163,566,451**	**2,752,680**	**13,749,438**	**335,123,316**	**170,587,157**	**955,328,201**	**2,330,713**	**957,658,914**

THE ACCOMPANYING NOTES 1 TO 46 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

IBL BANK S.A.L.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Cash flows from operating activities:			
Net profit for the year		170,713,486	153,382,844
Adjustments for:			
Depreciation and amortization	15, 16	3,934,923	4,257,156
Unrealized loss on investment securities at fair value through profit or loss	34	74,313,612	66,466,386
Provision for expected credit losses		31,460,200	-
Allowance for impairment/(write-back) of loans and advances (net)	35	-	12,172,809
Allowance for risk and charges	22	5,486,366	11,802,713
Provision for loss in foreign currency -			
Other adjustments and effect of exchange difference		(128,026)	40,900
Provision for employees' end-of-service indemnities	22	3,300,656	1,025,227
Gain on disposal of property and equipment		(7,781)	-
Write-off of property and equipment	15	3,750	4,874
Interest expense	30	593,872,034	493,904,877
Interest income	29, 34	(913,942,688)	(758,378,076)
Income tax expense	21	33,688,000	17,416,300
		2,694,532	**2,096,010**
Net decrease in loans and advances to customers		24,360,097	77,594,347
Net (increase)/decrease in loans and advances to related parties		(3,075,689)	30,681,795
Net (increase) in investment securities		(1,147,988,522)	(172,838,591)
Net decrease in compulsory reserves and deposits with central banks		353,228,885	51,210,122
Net decrease in loans to banks and financial institutions		10,600,000	10,600,000
Net increase/(decrease) in borrowings from banks and financial institutions		81,038,830	(27,274,197)
Net increase in customers' deposits		157,462,336	228,538,162
Net increase in related parties' deposits		30,645,936	20,310,634
Net (increase)/decrease in other assets		(1,247,336)	410,917
Net (decrease)/increase in other liabilities		(91,099,972)	193,945,517
Settlements made from provisions (net)	22	(1,053,240)	(324,624)
		(584,434,143)	**512,399,544**
Interest paid		(578,838,022)	(493,631,508)
Interest received		869,814,451	754,116,628
Income tax paid		(38,020,589)	(124,338,213)
Net cash (used in)/provided operating activities		(331,478,303)	648,546,451
Cash flows from investing activities:			
Acquisition of property and equipment	15	(10,935,311)	(4,403,109)
Proceeds from disposal of property and equipment		7,781	-
Acquisition of intangible assets	16	(227,861)	(169,758)
Net cash used in investing activities		(44,155,391)	(4,572,867)
Cash flows from financing activities:			
Dividends paid	27	(83,789,693)	(47,539,688)
Increase in other borrowings		7,525,741	112,083,792
Net cash (used in)/provided by financing activities		(76,353,952)	64,544,104
Net (decrease)/increase in cash and cash equivalents		(418,987,646)	708,517,688
Cash and cash equivalents - Beginning of year		**1,187,032,085**	**478,514,397**
Cash and cash equivalents - End of year	**40**	**768,044,439**	**1,187,032,085**

THE ACCOMPANYING NOTES 1 TO 46 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

IBL BANK S.A.L.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

1. GENERAL INFORMATION

IBL Bank S.A.L. (the "Bank") is a Lebanese joint-stock company registered in the Lebanese commercial register under No. 10472 and in the Central Bank of Lebanon under No. 52. The consolidated financial statements of the Bank comprise the financial statements of the Bank and those of its subsidiaries (the "Group"). The Group is primarily involved in investment, corporate and retail banking.

The Group operates through a network consisting of 20 branches in Lebanon, 3 branches in Iraq and one branch in Limassol, Cyprus.

The Bank's headquarters are located in Beirut, Lebanon.

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

Name of Subsidiary	Inception Date	Ownership 2018 %	2017 %	Country of Incorporation	Business Activity
Al-Itihadiah Real Estate S.A.L.	May 31, 1979	99.97	99.97	Lebanon	Real Estate Properties
IBL Holding S.A.L.	November 11, 2008	99.70	99.70	Lebanon	Holding
IBL Brokerage S.A.L.	March 14, 2006	99.80	99.80	Lebanon	Insurance Brokerage
IBL Investment Bank S.A.L.	January 8, 2011	97.99	97.99	Lebanon	Investment Bank

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

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

The following new and revised IFRSs and amendments to IFRSs and Interpretations, which became effective for annual periods beginning on or after January 1, 2018, have been adopted in these consolidated financial statements.

2.1.1 IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are mandatorily effective for an accounting period that begins on or after January 1, 2018. Transition provisions of IFRS 9 allow an entity not to restate comparatives. Additionally, the Group adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures about 2018 and to the comparative period.

IFRS 9 introduced new requirements for:

a. Classification and measurement of financial assets

The Group early adopted IFRS 9 (2009) and IFRS 9 (2010) with respect to classification and measurement requirements of its financial assets and financial liabilities.

On January 1, 2018 the Group adopted IFRS 9 (July 2014) and therefore reassessed the classification and measurement of its financial assets and financial liabilities that have not been derecognised as at January 1, 2018 and has not applied the requirements to instruments that have already been derecognised as at January 1, 2018.

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

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. See (b) below.

The impact on the classification of financial assets and their carrying amounts is disclosed under section (d)

b. Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new impairment model applies to all financial assets measured at amortised cost (including debts instruments measured at FVTOCI). It also applies to certain loan commitments and financial guarantee contracts but not to equity investments.

The Group applies three-stage approach to measuring expected credit losses (ECL) on financial assets carried at amortised cost and debt instruments classified as FVTOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL

Stage 1 includes financial assets that did not experience a significant increase in credit risk since the initial recognition or that have low credit risk. For these assets, ECL are recognised on the gross carrying amount of the asset based on the expected credit losses that result from default events that are possible within 12 months after the reporting date. Interest is computed on the gross carrying amount of the asset.

Stage 2: Lifetime ECL

Stage 2 includes financial assets that have had a significant increase in credit risk (SICR) since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but interest is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

Stage 3: Lifetime ECL

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised.

The impact of the adoption of IFRS 9 impairment model on the Group's financial assets and their carrying values and equity is disclosed in section (d) below.

c. Hedge accounting

IFRS 9 incorporates new hedge accounting rules that align hedge accounting with risk management practices. IFRS 9 does not cover guidance on macro hedge accounting as IASB is working on it as a separate project. IFRS 9 includes an accounting policy choice to defer the adoption of IFRS 9 hedge accounting and to continue with IAS 39 hedge accounting. The Group, however, has elected to adopt the new hedge accounting provisions of IFRS 9.

The existing hedging relationships continue to qualify and be effective under the IFRS 9 hedge accounting provisions and did not have any transition impact on the Group financial statements.

d. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in reserves as at January 1, 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
o The determination of the business model within which a financial asset is held.
o The designation of certain investments in equity instruments not held for trading as at FVTOCI.
o If a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that credit risk on the asset had not increased significantly since its initial recognition.

Impact of change in classification and measurement

Except for the financial statement captions listed in the below table, there have been no changes in the carrying amounts of assets and liabilities on application of IFRS 9 (2014) as at January 1, 2018.

	Classification under IFRS 9 (2010) December 31, 2017				Classification under IFRS 9 (2014) January 1, 2018	
	Category	Amount LBP' 000	Reclassification LBP' 000	Re-measurement ECL LBP' 000	Category	Amount LBP' 000
Financial assets						
Cash and central banks	Amortized cost	4,467,974,873	-	(2,485,769)	Amortized cost	4,465,489,104
Deposits with banks and financial institutions	Amortized cost	600,784,341	-	(345,003)	Amortized cost	600,439,338
loans to banks and financial institutions	Amortized cost	50,484,852	-	(649,740)	Amortized cost	49,835,112
Investment securities at fair value through profit or loss	FVTPL	796,327,194	(305,335,643)	-	FVTPL	490,986,551
Loans and advances to customers	Amortized cost	1,334,544,247	-	(40,762,911)	Amortized cost	1,293,781,336
Loans to related parties	Amortized cost	68,484,403	-	(14,817)	Amortized cost	68,469,586
Investment securities at amortized cost	Amortized cost	2,716,940,496	305,335,643	(72,560,771)	Amortized cost	2,949,715,368
Customers' acceptance liability	Amortized cost	38,665,861	-	(693,216)	Amortized cost	37,972,645
			-	**(117,512,227)**		
Financial liabilities						
Provision for risk and charges (Note 22)			-	(29,575,446)		
Unutilized limit and off-balance sheet commitments			-	1,202,219		
				(28,373,227)		
Net impact on equity				**(89,139,000)**		

The increase in impairment allowances when measured in accordance with IFRS 9 expected credit losses model compared to IAS 39 incurred loss model amounts to LBP118billion.

2.1.2 IFRS 15 Revenue from contracts with customers

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after January 1, 2018. IFRS 15 introduced a 5-step approach to revenue recognition. The impact of IFRS 15 is not material on the consolidated financial statements of the Group.

2.1.3 Other IFRSs and amendments

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after January 1, 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

- Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28.

- Amendments to IFRS 2 Share Based Payment regarding classification and measurement of share based payment transactions.

- Amendments to IAS 28 Investments in Associates and Joint Ventures: The amendments clarify that the option for a venture capital organization and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition.

- In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture.

- Amendments to IAS 40 Investment Property: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration: The interpretation addresses foreign currency transactions or parts of transactions where:

• there is consideration that is denominated or priced in a foreign currency;

• the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and

• the prepayment asset or deferred income liability is non-monetary.

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2018.

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

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New and revised IFRSs	Effective for Annual Periods Beginning on or After
Annual Improvements to IFRS Standards 2015-2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	January 1, 2019
Amendments to IFRS 9 Financial Instruments: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	January 1, 2019
IFRS 16 Leases IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	January 1, 2019
Amendments to IAS 28 Investment in Associates and Joint Ventures: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 1, 2019
IFRIC 23 Uncertainty over Income Tax Treatments The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances.	January 1, 2019
Amendment to IFRS 3 Business Combinations relating to definition of a business	January 1, 2020
Amendments to IAS 1 and IAS 8 relating to definition of material	January 1, 2020
IFRS 17 Insurance Contracts IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.	January 1, 2021
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011): Relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 16, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Management anticipates that IFRS 16 will be adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2019. The application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of its leases as described below.

IFRS 16 Leases

Impact of application of IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after January 1, 2019. The date of initial application of IFRS 16 for the Group will be January 1, 2019. The Group intends to apply the modified retrospective approach and will not restate comparative information for the period prior to date of adoption. In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

Impact of the new definition of a lease

The Group will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before January 1, 2019.

Impact on Lessee Accounting
Operating leases

IFRS 16 will change how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16, for all leases (except as noted below), the Group will:
a) Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;

b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;

c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

The Group is currently assessing the impact of adopting IFRS 16 and expects an increase in its assets and liabilities with no material impact on its retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following measured at fair value:

- Financial instruments designated at fair value through profit or loss.
- Financial instruments designated at fair value through other comprehensive income.
- Investments in equities.
- Other financial assets not held in a business model whose objective is to hold assets to collect contractual cash flows or whose contractual terms do not give rise solely to payments of principal and interest.
- Derivative financial instruments.

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

Summary of significant accounting policies

Following is a summary of the most significant accounting policies applied in the preparation of these consolidated financial statements:

A. Basis of Consolidation

The consolidated financial statements of IBL Bank S.A.L. incorporate the financial statements of the Bank and enterprises controlled by the Bank (its subsidiaries) as at the reporting date. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Bank controls an investee if and only if the Bank has:

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

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

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

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

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Bank gains control until the date the Bank ceases to control the subsidiary.

Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where applicable, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by the Bank.

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

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

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

B. Foreign Currencies

The consolidated financial statements are presented in Lebanese Pound (LBP) which is the reporting currency of the Group. The primary currency of the economic environment in which the Group operates (functional currency) is the U.S. Dollar. The Lebanese Pound exchange rate has been constant to the U.S. Dollar since many years.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's reporting currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks, and except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future, which are recognized in other comprehensive income, and presented in the translation reserve in equity. These are recognized in profit or loss on disposal of the net investment.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Lebanese Pound using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period when this is a reasonable approximation. Exchange differences arising are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

C. Financial Instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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

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

- If fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);

- In all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

Central Bank of Lebanon Circular # 143 dated November 7, 2017 prohibits recognition of day one profits on designated non-conventional transactions concluded between the Central Bank of Lebanon and banks and whose purpose is to secure yield adjustment to maturity on certain designated financial assets as part of the Central Bank's monetary policy. The Group recognized the designated financial assets at amortized cost. These non-conventional transactions with the Central Bank of Lebanon consist of non-transferable non-negotiable arrangements.

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

D. Financial assets

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

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

Specifically:

• Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;

• Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI;

• All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

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

• The Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; and

• The Group may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Debt instruments at amortised cost or at FVTOCI

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

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

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

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

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment. In the current and prior reporting period the Group has applied the fair value option and so has designated debt instruments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

Financial assets at FVTPL

Financial assets at FVTPL are:

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

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

Reclassifications

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

Impairment

Policy applicable before January 1, 2018:

Financial assets that are measured at amortized cost are assessed for impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

Objective evidence of impairment could include:

• significant financial difficulty of the issuer or counterparty; or
• breach of contract, such as a default or delinquency in interest or principal payments; or
• it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
• the disappearance of an active market for that financial asset because of financial difficulties; or
• significant or prolonged decline in fair value beyond one business cycle that occurred after the initial recognition of the financial asset or group of financial assets which impacted the estimated future cash flows of the investment.

For certain categories of financial asset, such as loans and advances, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. This provision is estimated based on various factors including credit ratings allocated to a borrower or group of borrowers, the current economic conditions, the experience the Group has had in dealing with a borrower or group of borrowers and available historical default information, as well as observable changes in national or local economic conditions that correlate with default on loans and advances.

The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Policy applicable after January 1, 2018:

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

- deposits at banks;
- loans and advances to banks;
- loans and advances to customers;
- customers' liability under acceptances
- debt investment securities;
- loan commitments issued; and
- financial guarantee contracts issued.

No impairment loss is recognised on equity investments.

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

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

- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

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

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

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

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

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

Credit-impaired financial assets

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

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

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

Purchased or originated credit-impaired (POCI) financial assets

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

Definition of default

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

The Group considers the following as constituting an event of default:

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

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

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

Significant increase in credit risk

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

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

Modification and derecognition of financial assets

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

The Group derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.
On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

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

Write-off

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

Presentation of allowance for ECL in the statement of financial position

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

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

- for debt instruments measured at FVTOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve;

- for loan commitments and financial guarantee contracts: as a provision; and

- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

E. Financial Liabilities and Equity

Classification as debt or equity:

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

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

The component parts of compound instruments (convertible notes) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments is an equity instrument.

Financial Liabilities:

Financial Liabilities that are not held-for-trading and are not designated as at FVTPL are subsequently measured at amortized cost using the effective interest method.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

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

F. Offsetting

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

G. Fair Value Measurement of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured by taking into account the characteristics of the asset or liability that if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

For financial reporting purposes, fair value measurement are categorized into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - Inputs, other than quoted prices included within Level 1, that are observable for the asset and liability either directly or indirectly; and
- Level 3 - Inputs are unobservable inputs for the asset or liability.

H. Derivative Financial Instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded Derivatives

Derivatives embedded in other financial instruments or other host contracts with embedded derivatives are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contract:

- is not measured at fair value with changes in fair value recognized in profit or loss.
- is not an asset within the scope of IFRS 9.

I. Financial Guarantee Contracts

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

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- The amount of the loss allowance determined in accordance with IFRS 9; and
- The amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the Group's revenue recognition policies.

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

J. Hedge Accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. The Group does not apply fair value hedge accounting of portfolio hedges of interest rate risk. In addition the Group does not use the exemption to continue using IAS 39 hedge accounting rules, i.e. the Group applies IFRS 9 hedge accounting rules in full.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group rebalances a hedging relationship in order to comply with the hedge ratio requirements when necessary. In such cases discontinuation may apply to only part of the hedging relationship. For example, the hedge ratio might be adjusted in such a way that some of the volume of the hedged item is no longer part of a hedging relationship, hence hedge accounting is discontinued only for the volume of the hedged item that is no longer part of the hedging relationship.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

In some hedge relationships the Group designates only the intrinsic value of options. In this case the fair value change of the time value component of the option contract is deferred in OCI, over the term of the hedge, to the extent that it relates to the hedged item and is reclassified from equity to profit or loss when the hedged item does not result in the recognition of a non-financial item. The Group's risk management policy does not include hedges of items that result in the recognition of non-financial items, because the Group's risk exposures relate to financial items only.

The hedged items designated by the Group are time-period related hedged items, which means that the amount of the original time value of the option that relates to the hedged item is amortised from equity to profit or loss on a rational basis (e.g. straight-line) over the term of the hedging relationship.

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

Fair value hedges

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

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

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

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

Cash flow hedges

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

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

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

Hedges of net investments in foreign operations

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

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

K. Loans and Advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and advances are disclosed at amortized cost net of provision for credit losses.

L. Repurchase and Reverse Repurchase Agreements

Securities sold under agreements to repurchase at a specified future date ("repos") are not derecognized from the consolidated statement of financial position. The corresponding cash received, including accrued interest, is recognized on the consolidated statement of financial position reflecting its economic substances as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, securities purchased under agreements to resell at a specified date are not recognized in the consolidated statement of financial position. The consideration paid, including accrued interest is recorded in the consolidated statement of financial position reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is treated as interest income in the consolidated statement of profit or loss and is accrued over the life of the agreement using the effective interest rate method.

M. Property and Equipment

Property and equipment except for buildings acquired prior to 1999 are stated at historical cost, less accumulated depreciation and impairment loss, if any. Buildings acquired prior to 1999 are stated at their revalued amounts, based on market prices prevailing during 1999 less accumulated depreciation and impairment loss, if any.

Depreciation is recognized so as to write off the cost or valuation of property and equipment, other than land and advance payments on capital expenditures less their residual values, if any, using the straight-line method over the useful lives estimated as follows:

	Rates %
Buildings	2
Freehold improvements	20
Furniture and equipment	8
Computer equipment	20
Vehicles	20

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

N. Intangible Assets

Intangible assets consisting of computer software are amortized on a straight-line basis over 5 years. Intangible assets are subject to impairment testing.

O. Impairment of Non-Financial Assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial, asset other than investment properties and deferred taxes, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

P. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.
Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Q. Assets acquired in satisfaction of loans

Real estate properties acquired through the enforcement of collateral over loans and advances, in accordance with the Central Bank of Lebanon main circular 78, are initially recognized at their fair value as approved by Banking Control Commission and are subsequently measured at cost less any accumulated impairment losses. The acquisition of such assets is regulated by the local banking authorities that require the liquidation of these assets within 2 years from acquisition. In case of default of liquidation, the regulatory authorities require an appropriation of a special reserve from the yearly profits reflected in equity.

Upon sale of repossessed assets, any gain or loss realized is recognized as a separate line item in the statement of profit or loss. Gains resulting from the sale of repossessed assets are transferred to reserves to be used for capital increase starting in the following financial year.

R. Provision for Employees' End-of-Service Indemnity

The provision for employees' termination indemnities is based on the liability that would arise if the employment of all the employees' were voluntary terminated at the reporting date. This provision is calculated in accordance with the directives of the Lebanese Social Security Fund and Labor laws based on the number of years of service multiplied by the monthly average of the last 12 months' remunerations and less contributions paid to the Lebanese Social Security National Fund.

S. Provisions

Provision is recognized 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 discounted where the impact is material.

T. Deferred Restricted Contributions

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

U. Net Interest Income

Policy applicable before January 1, 2018:

Interest income and expense are recognized on an accrual basis, taking into account the amount of the principal outstanding and the rate applicable, except for non-performing loans and advances for which interest income is only recognized upon realization. Interest income and expense include discount and premium amortization.

Interest income and expense presented in the statement of profit or loss include:
• Interest on financial assets and liabilities at amortized cost.
• Changes in fair value of qualifying derivatives, including hedge ineffectiveness, and related hedged items when interest rate risk is the hedged risk.

Policy applicable after January 1, 2018:

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at FVTPL are recognised in 'Net interest income' as 'Interest income' and 'Interest expense' in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period, see 'Net (loss)/income from financial assets at fair value through profit or loss'.

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

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

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

V. Net fee and commission income

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

Other fee and commission income are recognized as the related services are performed.

W. Net (loss)/income from financial assets at fair value through profit or loss

Net income from financial instruments financial instruments at FVTPL includes all gains and losses from changes in the fair value of financial assets and financial liabilities at FVTPL and related interest income, expense and dividends.

X. Dividend income

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

Y. Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in other comprehensive income, in which case the tax is also recognized in other comprehensive income. Current tax is the expected tax payable on the taxable profit for the year, using rates enacted at the financial position date. Income tax payable is reflected in the statement of financial position net of taxes previously settled in the form of withholding tax.

Interest earned on part of debt security was subject to withheld tax by the issuer. Up to October 26, 2017, this tax was deducted at year-end from the corporate income tax liability and accounted for as prepayment on corporate income tax and reflected as a part of income provisions. Effective October 27, 2017, and following the tax amendments to law No. 64, withheld tax on interest earned on inter-bank deposits and debt security is no more considered as prepayment on corporate income tax, and it is considered as deductible expense for the purpose of computing the corporate income tax. Withholding tax on interest was increased from 5% to 7%.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available in future against which deductible temporary differences can be utilized.

Z. Cash and Cash Equivalents

Cash and cash equivalents comprise balances with original contractual maturities of a period of three months including: cash and balances with the central banks and deposits with banks and financial institutions.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

A. Critical accounting judgments in applying the Group's accounting policies:

Provision for credit losses:

Management is required to use significant judgments and estimates to estimate the amounts and timing of future cash flows and assess the risks of a significant increase in credit risks for financial assets after initial recognition and future measurement information for the expected credit losses. The most important policies and estimates used by the Group›s management are detailed in note 43.

Business model assessment:

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed. The Group monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase of credit risk:

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. Refer to note 43 for more details.

Establish groups of assets with similar credit risk characteristics:

When the expected credit losses are measured on a collective basis, the financial instruments are grouped on the basis of common risk characteristics (e.g. instrument type, credit risk, collateral type, initial recognition date, remaining maturity period, industry, borrower's geographic location, etc.). The Bank monitors the appropriateness of credit risk characteristics on an ongoing basis to assess whether they are still similar. This is required to ensure that, in the event of a change in the credit risk characteristics, the asset is properly reallocated. This may result in the creation of new portfolios or the transfer of assets to an existing portfolio that better reflects the credit risk characteristics of that group of assets.

Re-division of portfolios and movements between portfolios:

The re-division of portfolios and movements between portfolios is more common when credit risk increases significantly (or when such a large increase is reflected). Therefore, assets are transferred from expected credit losses of between (12) months to another portfolio or vice versa. However, this may happen within the portfolios that continue to be measured on the same basis as expected credit losses for a 12-month period or a lifetime, but the amount of the expected credit loss changes due to the varying credit risk of portfolios.

B. Key Sources of Estimation Uncertainty:

The following are key estimations that the directors have used in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in financial statements:

Going Concern:

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore the consolidated financial statements continue to be prepared on the going concern basis.

Determining Fair Values:

When the fair values of financial instruments recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow (DCF) model, as described in Note 45.

The inputs in these models are taken from observable markets where possible. Where practical, the discount rate used in the mark-to-model approach included observable data collected from market participants, including risk free interest rates and credit default swap rates for pricing of credit risk (both own and counter party), and a liquidity risk factor which is added to the applied discount rate. Changes in assumptions about any of these factors could affect the reported fair value of the sovereign bonds including Central Bank of Lebanon certificates of deposit.

Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Significant unobservable inputs consist of discount factor for illiquidity applied for the investment securities portfolio classified at fair value through profit or loss and amortized cost in accordance with the Group's internal policy.

Impairment Losses on Financial Instruments (Applicable before January 1, 2018)

Specific impairment for credit losses is determined by assessing each case individually. This method applies to classified loans and advances and the factors taken into consideration when estimating the allowance for credit losses include the counterparty's credit limit, the counterparty's ability to generate cash flows sufficient to settle his advances and the value of collateral and potential repossession.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident.

The collective assessment takes account of data from the loan portfolio (such as credit quality, levels of arrears, credit utilization, loan to collateral ratios, etc...), concentrations of risks, economic data and the performance of different individual groups.

Policy applicable after January 1, 2018

Determining the number and relative weight of scenarios, the outlook for each type of product / market, and the identification of future information relevant to each scenario:

When measuring the expected credit loss, the Group uses reasonable and supported future information based on the assumptions of the future movement of the various economic drivers and the manner in which they affect each other

Probability of default:

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

Loss Given Default:

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

5. CASH AND DEPOSITS WITH CENTRAL BANKS

	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Cash on hand	43,914,631	40,182,667
Current accounts with central banks	348,312,638	405,993,280
Term placements with central banks	3,344,207,987	3,996,757,405
Allowance for impairment	(4,801,238)	(20,062,238)
Accrued interest receivable	58,179,721	45,103,759
	3,789,813,739	**4,467,974,873**
Expected credit losses	(16,302,363)	-
	3,773,511,376	**4,467,974,873**

Current accounts with central banks include compulsory deposits in Lebanese Pounds with Central Bank of Lebanon not available for use in the Group's day-to-day operations in the amount of LBP263.3billion (LBP247.7billion in 2017). These compulsory reserves are computed on the basis of 25% and 15% of the average weekly sight and term customers' deposits in Lebanese Pounds in accordance with prevailing banking regulations.

Term placements with central banks include the equivalent in foreign currencies of LBP783billion (LBP742billion in 2017) deposited with Central Bank of Lebanon in accordance with the prevailing banking regulations which require banks to maintain interest earning placements in foreign currency to the extent of 15% of customers' deposits in foreign currencies, in accordance with the prevailing Central Bank of Lebanon regulations.

The movement of allowance for impairment on term placements with the Central Bank of Iraq - Kurdistan is summarized as follows:

	2018 LBP'000	2017 LBP'000
Balance, January 1	20,062,238	24,166,015
Write-back (Note 33)	-	(3,583,777)
Transfer to provision of risk and charges (Note 22)	-	(520,000)
Transfer to expected credit losses as at January 1, 2018	(15,261,000)	-
	4,801,238	**20,062,238**

Term placements with the Central Bank of Lebanon have the following contractual maturities:

	December 31, 2018			
	LBP Base Accounts		F/Cy Base Accounts	
Maturity (Year)	Amount LBP'000	Average Interest Rate %	Counter Value of Amount in LBP LBP'000	Average Interest Rate %
2019	-	-	234,967,890	1.45
2020	-	-	436,028,940	5.72
2021	600,000,000	8.60	55,191,360	6.25
2022	15,000,000	8.60	45,225,000	3.35
2023	-	-	188,891,235	4.20
2024	-	-	236,986,500	7.25
2025	-	-	30,004,140	7.00
2027	229,926,561	10.50	186,152,185	6.90
2028	72,590,000	10.50	257,592,176	7.10
2032	30,000,000	10.92	-	-
2037	75,000,000	11.36	-	-
2047	650,652,000	12.10	-	-
	1,673,168,561		**1,671,039,426**	

	December 31, 2017			
	LBP Base Accounts		F/Cy Base Accounts	
Maturity (Year)	Amount LBP'000	Average Interest Rate %	Counter Value of Amount in LBP LBP'000	Average Interest Rate %
2018	630,800,000	7.70	112,308,750	1.38
2019	-	-	148,475,620	0.76
2020	-	-	442,414,020	5.69
2021	455,000,000	8.60	210,869,250	6.25
2022	-	-	45,225,000	2.25
2024	-	-	241,079,500	7.25
2027	228,846,702	10.50	186,138,563	6.90
2028	-	-	120,600,000	6.60
2032	80,000,000	10.92	-	-
2037	108,000,000	11.36	-	-
2047	987,000,000	11.92	-	-
	2,489,646,702		**1,507,110,703**	

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Checks for collection	10,056,502	15,140,417
Current accounts with banks and financial institutions	332,155,918	299,137,878
Term placements with banks and financial institutions	192,772,440	286,425,000
Accrued interest receivable	88,012	81,046
	535,072,872	**600,784,341**
Expected credit losses	(318,523)	-
	534,754,349	**600,784,341**

Term placements with banks and financial institutions have contractual maturities less than one year. Deposits with banks and financial institutions are segregated between resident and non-resident as follows:

	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Resident	27,419,601	16,159,839
Non-resident	507,334,748	584,624,502
	534,754,349	**600,784,341**

7. LOANS TO BANKS AND FINANCIAL INSTITUTIONS

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

	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Regular performing loans	39,500,000	50,100,000
Accrued interest receivable	315,546	384,852
Doubtful bank accounts	74,696	75,857
Less: Allowance for impairment	(74,696)	(75,857)
	39,815,546	**50,484,852**
Expected credit losses	(512,426)	-
	39,303,120	**50,484,852**

Loans to banks have the following contractual maturities:

	December 31, 2018		December 31, 2017	
	LBP LBP'000	Interest Rate %	LBP LBP'000	Interest Rate %
Up to 3 months	400,000	4.35	400,000	4.35
3 months to 1 year	10,200,000	3.45	10,200,000	4.35
1 to 3 years	19,400,000	3.31	21,000,000	4.35
3 to 5 years	8,000,000	3.43	13,000,000	3.04
Above 5 years	1,500,000	4.30	5,500,000	3.27
	39,500,000		**50,100,000**	

8. LOANS AND ADVANCES TO CUSTOMERS

This caption consists of the following as at December 31:

	2018			2017		
	Gross Amount Net of unrealized interest LBP'000	Expected Credit losses LBP'000	Carrying Amount LBP'000	Gross Amount Net of unrealized interest LBP'000	Expected Credit losses LBP'000	Carrying Amount LBP'000
Performing loans - stages 1 and 2:						
Mortgage loans	194,028,293	(6,317,446)	187,710,847	205,759,510	-	205,759,510
Personal loans	43,429,981	(63,408)	43,366,573	45,086,382	-	45,086,382
Credit card	7,384,621	(90,436)	7,294,185	7,771,788	-	7,771,788
Overdrafts	29,569,205	(120,724)	29,448,481	5,769,163	-	5,769,163
Large enterprises	638,754,250	(51,963,494)	586,790,756	680,071,377	-	680,071,377
Small and medium enterprises	354,481,992	(6,292,894)	348,189,098	353,840,222	-	353,840,222
Allowance for collective provision - performing retail	-	-	-	-	(1,200,921)	(1,200,921)
	1,267,648,342	**(64,848,402)**	**1,202,799,940**	**1,298,298,442**	**(1,200,921)**	**1,297,097,521**
Non-performing loans - stage 3:						
Substandard loans	12,399,205	(4,563,511)	7,835,694	15,413,775	-	15,413,775
Doubtful loans	63,840,284	(30,231,590)	33,608,694	55,556,297	(23,160,396)	32,395,901
	76,239,489	**(34,795,101)**	**41,444,388**	**70,970,072**	**(23,160,396)**	**47,809,676**
Allowance for collective impairment	-	-	-	-	(11,111,000)	(11,111,000)
Accrued interest receivable	**580,784**	-	**580,784**	**748,050**	**-**	**748,050**
	1,344,468,615	**(99,643,503)**	**1,244,825,112**	**1,370,016,564**	**(35,472,317)**	**1,334,544,247**

9. LOANS AND ADVANCES TO RELATED PARTIES

This caption includes loans and advances granted by the Bank to its shareholders and its related companies in the amount of LBP72billion (LBP68billion in 2017) covered to the extent of LBP4.3billion by real estate guarantees and LBP66.5billion by cash collateral (LBP3.6billion by real estate guarantees and LBP64.32billion by cash collateral as of December 31, 2017).

10. INVESTMENT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Quoted equity securities	7,046,124	5,026,271
Unquoted equity securities	2,835,412	3,008,151
Lebanese treasury bills	-	708,856,163
Lebanese Government bonds	130,665,761	376,930
Certificates of deposit issued by Central Bank of Lebanon	102,929,667	63,797,216
Accrued interest receivable	6,367,172	15,257,463
	249,844,136	**796,322,194**

Unquoted equity securities in the amount of LBP2.8billion as at December 31, 2018 (LBP3billion as at December 31, 2017) represents mainly the Group's share in startup/incubators established based on co-sharing agreements with the regulator providing the funding.

11. INVESTMENT SECURITIES AT AMORTIZED COST

	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Debt securities classified at amortized cost	4,264,334,138	2,653,071,461
Accrued interest receivable	104,042,219	63,869,035
Expected credit losses	(82,676,156)	-
	4,285,700,201	**2,716,940,496**

The movement of investment securities, exclusive of the related accrued interest, for the years 2018 and 2017 are summarized as follows:

	2018 LBP'000	2017 LBP'000
Balance January 1	2,653,071,461	2,800,912,391
Additions	1,337,537,668	18,276,250
Transfer from investment securities at fair value through profit or loss (Note 10)	728,473,750	-
Swaps , net (Note 10)	(155,003,363)	(150,209,400)
Sales	(113,491,563)	-
Matured	(170,848,917)	(81,611,223)
Effect of amortized premium and discount	(84,941,337)	(71,409,372)
Effect of unamortized premium and discount	69,536,439	124,326,949
Effect of exchange rates changes	-	12,785,866
Balance December 31	**4,264,334,138**	**2,653,071,461**

During December 2018 and 2017, the Group entered into swap deals with the Central Bank of Lebanon to enhance the yield on its investments and term placements with Central Bank as follows:

	Classification	Nominal Value	
		2018 LBP'000	2017 LBP'000
Lebanese treasury bills	FVTPL	227,645,840	69,817,400
Certificates of deposit issued by Central Bank of Lebanon	FVTPL	184,000,000	1,096,000,000
Term placement with Central Bank	Amortized cost	-	65,000,000
Certificates of deposit issued by Central Bank of Lebanon	Amortized cost	151,357,523	150,000,000
		563,003,363	**1,380,817,400**
Term placements with Central Bank of Lebanon	Amortized cost	150,750,000	1,423,000,000
Certificates of deposit issued by the Central Bank of Lebanon	Amortized cost	408,000,000	-
Certificates of deposit issued by the Central Bank of Lebanon	FTVPL	286,000,000	-
		844,750,000	**1,423,000,000**

The Group's business model for debt securities was amended during 2018. As a result, the Group transferred Government bonds with carrying value in the equivalent of LBP728billion from FVTPL to amortized cost portfolio.

During 2018, the Group entered into swap transactions of Lebanese government bonds with a foreign financial institution. The premium resulting from these transactions were deferred as yield enhancement on the newly acquired bonds.

During 2017, the Group entered into swap transaction of Lebanese treasury bills and certificates of deposit in Lebanese pounds of aggregate nominal value of LBP18,85billion and LBP180billion respectively, in addition to certificates of deposit in USD of aggregate nominal value of USD100million, concluded in conjunction with the acquisition of government bonds in USD, Lebanese treasury bills and certificates of deposit in Lebanese pound in an aggregate nominal value of USD100million, LBP18,64billion and LBP180billion respectively, the premium resulting from the above transaction was deferred as yield enhancement on the new portfolio with longer maturity falling due between 2023 and 2037 and yielding 10,86% on average per annum.

Debt securities consist of the following:

	December 31, 2018						
	LBP Base Accounts			F/Cy Base Accounts			
	Amortized Cost LBP'000	Interest Receivable LBP'000	Fair Value LBP'000	Amortized Cost LBP'000	Interest Receivable LBP'000	Fair Value LBP'000	Expected Credit losses LBP'000
Lebanese treasury bills	386,785,947	6,002,584	341,626,202	-	-	-	(17,064,556)
Lebanese Government bonds	4,771	113	4,772	1,093,932,115	28,759,059	1,181,367,099	(55,667,287)
Certificates of deposit issued by Central Bank of Lebanon	2,126,891,708	52,348,388	1,689,063,084	656,719,597	16,932,075	821,041,785	(9,944,313)
	2,513,682,426	**58,351,085**	**2,030,694,058**	**1,750,651,712**	**45,691,134**	**2,002,408,884**	**(82,676,156)**

	December 31, 2017					
	LBP Base Accounts			F/Cy Base Accounts		
	Amortized Cost LBP'000	Interest Receivable LBP'000	Fair Value LBP'000	Amortized Cost LBP'000	Interest Receivable LBP'000	Fair Value LBP'000
Lebanese treasury bills	322,244,580	5,104,375	342,715,494	-	-	-
Lebanese Government bonds	4,385	113	7,401	945,335,210	12,766,225	1,114,955,310
Certificates of deposit issued by Central Bank of Lebanon	702,994,522	28,199,614	716,460,555	681,739,014	17,743,795	946,025,213
Certificates of deposit issued by banks	-	-	-	753,750	54,913	752,950
	1,025,243,487	**33,304,102**	**1,059,183,450**	**1,627,827,974**	**30,564,933**	**2,061,733,473**

12. CUSTOMERS' LIABILITY UNDER ACCEPTANCES

Acceptances represent documentary credits which the Bank has committed to settle on behalf of its customers against commitments by those customers (acceptances). The commitments resulting from these acceptances are stated as a liability in the balance sheet for the same amount.

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

	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Term placements with Central Bank of Lebanon	1,078,132,620	97,334,270
Lebanese treasury bills at amortized cost	396,587,195	97,572,280
	1,474,719,815	**194,906,550**

Assets under leverage arrangement consist of term placements with the Central Bank of Lebanon and Lebanese Treasury bills in LBP subject to interest rate between 6.74% and 10.5% originated from and are pledged against the corresponding leverage arrangements with the Central Bank of Lebanon for the same amounts in LBP, with the purpose of providing yield adjustment on certain transactions related to either fresh deposits in foreign currency or sale of foreign currency against LBP placed in term deposits at the Central Bank of Lebanon and/or Government securities. The leverage and related pledged assets mechanism resulted in a yield enhancement on the following financial assets:

	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Term placements with Central Bank of Lebanon in U.S. Dollar	539,274,313	155,988,563
Lebanese Government bonds	641,133,812	-
	1,180,408,125	**155,988,563**

14. ASSETS ACQUIRED IN SATISFACTION OF LOANS

Assets acquired in satisfaction of loans have been acquired through enforcement of security over loans and advances.

The movement of assets acquired in satisfaction of loans during 2018 and 2017 was as follows:

	Real Estate LBP'000
Cost:	
Balance, January 1, 2017	24,843,179
Additions	-
Balance, December 31, 2017	**24,843,179**
Additions	709,521
Balance, December 31, 2018	**25,552,700**
Allowance for Impairment:	
Balance, December 31, 2018 and 2017	**(231,165)**
Carrying Amount:	
December 31, 2018	**25,321,535**
December 31, 2017	**24,612,014**

The acquisition of assets in settlement of loans requires the approval of the banking regulatory authorities and these should be liquidated within 2 years. In case of default of liquidation within 2 years from the date of approval, the Group allocates a regulatory reserve for assets acquired in satisfaction of loans from retained earnings. During 2018, the Group allocated LBP1.83billion from retained earnings (LBP1.20billion during 2017).

The fair values of the assets acquired in satisfaction of loans exceed their carrying values as at December 31, 2018 and 2017.

15. PROPERTY AND EQUIPMENT

	Buildings LPB'000	Freehold Improvements LPB'000	Furniture & Equipment LPB'000	Computer Equipment LPB'000	Vehicles LPB'000	Advances on Capital Expenditure LPB'000	Total LPB'000
Cost / Revaluation:							
Balance, January 1, 2017	42,459,097	25,151,223	6,558,700	6,221,506	769,423	1,955,871	83,115,820
Additions	-	136,714	161,386	215,265	-	3,889,744	4,403,109
Disposals	-	-	(27,200)	(24,466)	-	-	(51,666)
Transfers between categories	-	29,716	-	-	-	(29,716)	-
Transfer to intangible assets (Note 16)	-	-	-	-	-	(210,943)	(210,943)
Write off	-	(2,954)	(12,058)	(1,177)	-	-	(16,189)
Effect of exchange rate changes	-	(64,980)	5,774	(2,667)	9,146	508	(52,219)
Balance, December 31, 2017	42,459,097	25,249,719	6,686,602	6,408,461	778,569	5,605,464	87,187,912
Additions	1,134,408	1,031,386	246,384	533,802	5,878	7,983,453	10,935,311
Disposals	-	-	(37,353)	(29,850)	(6,128)	-	(73,331)
Transfers between categories	-	115,743	-	-	-	(115,743)	-
Transfer to intangible assets (Note 16)	-	-	-	-	-	(36,663)	(36,663)
Write off	-	(8,065)	(15,351)	(218,738)	-	-	(242,154)
Effect of exchange rates	-	78,820	4,431	8,925	(3,561)	-	88,615
Balance, December 31, 2018	43,593,505	26,467,603	6,884,713	6,702,600	774,758	13,436,511	97,859,690
Accumulated Depreciation:							
Balance, January 1, 2017	1,896,695	18,447,628	3,979,920	4,578,707	533,903	-	29,436,853
Additions	296,199	2,527,286	510,788	543,563	81,131	-	3,958,967
Disposals	-	-	(27,200)	(24,466)	-	-	(51,666)
Write off	-	(640)	(9,498)	(1,177)	-	-	(11,315)
Effect of exchange rate changes	-	(37,156)	6,091	(1,342)	9,148	-	(23,259)
Balance, December 31, 2017	2,192,894	20,937,118	4,460,101	5,095,285	624,182	-	33,309,580
Additions	315,106	2,185,273	502,191	520,957	82,110	-	3,605,637
Disposals	-	-	(37,351)	(29,850)	(6,128)	-	(73,329)
Write-off	-	(8,065)	(14,699)	(215,642)	-	-	(238,406)
Exchange difference	-	60,927	3,820	4,863	(3,561)	-	66,049
Balance, December 31, 2018	2,508,000	23,175,253	4,914,062	5,375,613	696,603	-	36,669,531
Carrying Amount:							
Balance, December 31, 2018	**41,085,505**	**3,292,350**	**1,970,651**	**1,326,987**	**78,155**	**13,436,511**	**61,190,159**
Balance, December 31, 2017	**40,266,203**	**4,312,601**	**2,226,501**	**1,313,176**	**154,387**	**5,605,464**	**53,878,332**

Advances on capital expenditure represent mainly the renovation for several branches namely Jbeil, Jnah, Achrafieh, Sin el fil and Basra in Iraq which was mainly allocated in years 2017 and 2018 to freehold improvements. In addition to the advance payment on the purchase of a plot for the new branches in Hamra, Mar Mikhael and Sin el fil.

16. INTANGIBLE ASSETS

	Purchased Software LBP'000
Cost:	
Balance, January 1, 2017	4,494,427
Acquisitions	169,758
Transfer from property and equipment (note 15)	210,943
Translation adjustment	25,961
Balance, December 31, 2017	4,901,089
Acquisitions	227,861
Disposals	(31,231)
Transfer from property and equipment (note 15)	36,663
Translation adjustment	(4,983)
Balance, December 31, 2018	**5,129,399**
Amortization:	
Balance, January 1, 2017	3,760,718
Amortization for the year	298,189
Translation adjustment	26,133
Balance, December 31, 2017	4,085,040
Amortization for the year	329,286
Disposals	(31,231)
Translation adjustment	(4,912)
Balance, December 31, 2018	**4,378,183**
Carrying Amounts:	
December 31, 2018	**751,216**
December 31, 2017	**816,049**

17. OTHER ASSETS

	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Accounts receivable - credit cards	1,466,553	1,457,874
Prepaid expenses	2,312,669	1,999,535
Regulatory blocked fund	4,500,000	4,500,000
Sundry accounts receivable	2,123,149	1,197,626
	10,402,371	**9,155,035**

Regulatory blocked fund represents a non-interest earning compulsory deposit placed with the Lebanese treasury upon establishment of "IBL Investment Bank S.A.L.". This deposit is refundable in case of cease of operations according to Article 132 of the Code of Money and Credit.

18. DEPOSITS FROM BANKS AND FINANCIAL INSTITUTIONS

Deposits from banks and financial institutions are reflected at amortized cost and consist of the following:

	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Current deposits of banks and financial institutions	10,861,907	11,042,586
Short term borrowings	103,630,400	22,410,891
Accrued interest payable	991,116	368,340
	115,483,423	**33,821,817**

Short term borrowings mature within one year.

19. CUSTOMERS' ACCOUNTS

	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Deposits:		
Current/demand deposits	403,589,062	506,216,752
Term deposits	7,354,455,176	7,060,219,483
Fiduciary deposits	83,116,840	87,019,719
Collateral against speculation accounts	13,474,068	11,664,100
Cash collateral	578,925,749	616,098,182
Margins and other accounts:		
Margins for irrevocable import letters of credit	7,327,746	3,019,653
Margins on letters of guarantee	8,837,204	8,025,620
Accrued interest payable	67,870,026	53,547,142
	8,517,595,871	**8,345,810,651**

Related parties accounts at amortized cost are detailed as follows:

	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Deposits:		
Demand deposits	2,868,223	3,193,628
Term deposits	197,906,342	158,636,681
Collateral against speculation account	14,313,828	27,169,994
Cash collateral	100,657,635	96,099,789
Accrued interest payable	1,169,619	1,197,943
	316,915,647	**286,298,035**

Deposits from customers are allocated by brackets of deposits excluding accrued interest payable as follows:

Bracket	December 31, 2018 - LBP Total Deposits LBP'000	Percentage to Total Deposits %	Percentage to Total No of Accounts %	December 31, 2018 - Counter Value of F/Cy Total Deposits LBP'000	Percentage to Total Deposits %	Percentage to Total No of Accounts %
Less than LBP50million	179,103,261	5	81	150,509,302	3	80
From LBP50million to LBP250million	489,639,795	14	13	454,369,416	9	11
From LBP250million to LBP750million	564,244,890	17	4	665,625,788	13	5
From LBP750million to LBP1.5billion	445,864,039	13	1	558,741,169	11	2
More than LBP1.5billion	1,699,343,564	51	1	3,242,284,621	64	2
	3,378,195,549	**100**	**100**	**5,071,530,296**	**100**	**100**

Bracket	December 31, 2017 - LBP Total Deposits LBP'000	Percentage to Total Deposits %	Percentage to Total No of Accounts %	December 31, 2017 - Counter Value of F/Cy Total Deposits LBP'000	Percentage to Total Deposits %	Percentage to Total No of Accounts %
Less than LBP50million	176,543,500	5	80	137,011,657	3	83
From LBP50million to LBP250million	487,680,057	14	13	352,905,099	7	9
From LBP250million to LBP750million	616,635,174	18	5	554,532,660	11	4
From LBP750million to LBP1.5billion	440,026,965	13	1	499,769,072	10	2
More than LBP1.5billion	1,662,186,547	50	1	3,364,972,778	69	2
	3,383,072,243	**100**	**100**	**4,909,191,266**	**100**	**100**

Deposits from customers at amortized cost include coded deposit accounts in the aggregate amount of LBP107billion (LBP83billion in 2017). These accounts are subject to the provisions of Article 3 of the Banking Secrecy Law dated September 3, 1956 which provides that the Bank's management, in the normal course of business, cannot reveal the identities of these depositors to third parties, including its independent public accountants.

Fiduciary deposits were received from resident and non-resident banks for a total amount of LBP26billion and LBP57billion (LBP32billion and LBP55billion respectively in 2017).

The average balance of customers' deposits (including related party deposits) and related cost of funds over the last three years were as follows:

Year	Average Balance of Deposits LBP Base Accounts LBP'000	F/Cy Base Accounts LBP'000	Cost of Funds LBP'000	Average Interest Rate %
2018	3,684,051,229	4,921,989,176	582,274,870	6.77
2017	3,818,608,816	4,671,171,223	485,498,517	5.72
2016	3,692,738,444	4,036,526,873	437,159,853	5.66

20. OTHER BORROWINGS

Other borrowings represent facilities granted by Central Bank of Lebanon which are made in connection with Central Bank of Lebanon intermediate Circular 313 relating to basic Decision No. 6116 of March 7, 1996 and its amendments by which the Bank benefited from credit facilities granted against loans the Bank has granted responsibility, to its customers, pursuant to certain conditions, rules and mechanism.

21. OTHER LIABILITIES

This caption consists of the following:

	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Withheld taxes and property taxes	6,822,310	5,483,549
Income tax payable	33,582,174	5,930,116
Due to the National Social Security Fund	377,056	282,172
Checks and incoming payment orders in course of settlement	16,719,162	20,970,675
Blocked capital subscriptions for companies under incorporation	1,057,750	906,692
Accrued expenses	3,415,513	2,746,721
Dividends payable	1,456,966	837,098
Payable to personnel and directors	931,258	895,612
Unearned revenues	1,347,329	1,358,143
Regulatory deferred liability (a)	-	89,139,000
Reconciling account with Central Bank of Lebanon (b)	-	118,870,345
Fair value of forward exchange contracts	290,037	325,047
Sundry accounts payable	4,335,099	7,252,044
	70,334,654	**254,997,214**

(a) In accordance with the Central Bank of Lebanon Intermediary Circular number 446, deferred liability which is regulated in nature shall be appropriated, among other things, after deducting the relevant tax liability, to collective provision for credit risks associated with the loan book at a minimum of 2% of the weighted credit risks, and that in anticipation of implementation of IFRS 9 for impairment, as and when quantified effective on January 1, 2018.

During 2018, the Group allocated an amount of LBP89billion from regulatory deferred liability to retained earnings to offset the expected credit losses resulting from the application of IFRS 9.

(b) As a result of swap deals executed during the fourth quarter of year 2017 with the Central Bank of Lebanon a reconciling account in the aggregate amount of LBP119billion was outstanding at year end and fully settled subsequent to the financial position date.

Income tax payable is computed as follows:

	2018 LBP'000	2017 LBP'000
Profit before income tax	204,401,486	170,799,144
Non-deductible expense	43,980,457	42,345,546
Non-taxable income	(48,266,107)	(83,932,933)
Taxable income	200,115,836	129,211,757
Income tax expense	33,688,000	17,416,300
Less: Tax paid in advance (5%)	-	(11,296,382)
Tax paid on resident subsidiaries	(96,452)	(150,437)
Taxes related to non-resident branch paid subsequently	(9,374)	(39,365)
Income tax payable	**33,582,174**	**5,930,116**

The Bank's tax returns for the year 2018 is still subject to review by the tax authorities and any additional tax liability depends on the outcome of such review.

Subsequent to the financial position date, the Bank was subject to tax examination for the fiscal years 2013 to 2017 inclusive which resulted in additional taxes and penalties in the amount of LBP4.6billion. The Bank objected on these additional taxes and penalties and no final resolution is issued yet.

22. PROVISIONS

Provisions consist of the following:

	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Provision for staff end-of-service indemnity	15,225,653	12,978,237
Provision for risk and charges	24,595,030	48,931,955
Provision for expected credit losses on unutilized limits and off-balance sheet commitments (Note 43)	1,107,221	-
Provision for loss in foreign currency	145,000	145,000
	41,072,904	**62,055,192**

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

	2018 LBP'000	2017 LBP'000
Balance, January 1	12,978,237	12,277,634
Additions (Note 36)	3,300,656	1,025,227
Settlements	(1,053,240)	(324,624)
Balance, December 31	**15,225,653**	**12,978,237**

The movement of provision for risk and charges is as follows:

	2018 LBP'000	2017 LBP'000
Balance, January 1	48,931,955	23,241,216
Additions	5,486,366	11,802,713
Transfer from allowance for impairment on term placements (Note 5)	-	520,000
Transfer to allowance for collective impairment on loans and advances	-	(117,574)
Transfer from allowance for collective impairment	-	13,567,500
Transfer to expected credit losses	(29,575,446)	-
Effect of exchange rates changes	(247,845)	(81,900)
Balance, December 31	**24,595,030**	**48,931,955**

23. SUBORDINATED BONDS

	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Subordinated bonds	60,300,000	60,300,000
Accrued interest payable	376,875	260,199
	60,676,875	**60,560,199**

The Extraordinary General Assembly of shareholders held on August 24, 2015, authorize the issuance of non-convertible, non-callable, cumulative subordinated bonds in the amount of USD40million comprising 400,000 bonds issued in denominations of USD100 each. These bonds were issued on December 10, 2015 and mature on December 10, 2025 and are subject to an annual interest rate of 7.5% per annum.

In accordance with banking laws and regulations, subordinated bonds are considered as Tier II capital for the purpose of computation of Risk Based Capital Ratio to be decreased by 20% in a yearly basis. In this connection, interest expense on subordinated bonds for the year ended December 31, 2018 amounted to LBP4.6billion recorded under "Interest expense" in the consolidated statement of profit or loss (LBP4.5million in 2017) (Note 30).

24. CAPITAL

As at December 31, 2018 and 2017, Group's share capital consisted of 20,000,000 ordinary shares and 750,000 preferred shares for a par value of LBP7,500 each and fully paid.

The Bank hedged part of its capital against fluctuations in the Lebanese currency through a fixed currency position of USD6,300,000.

25. NON-CUMULATIVE CONVERTIBLE PREFERRED SHARES

Non-cumulative convertible preferred shares amounted to LBP113billion at December 31, 2018 and 2017 representing 750,000 non-cumulative preferred shares LBP7,500 each, in addition to a premium of USD95 each.

Subject to certain terms and conditions, distribution to holders of series 3 preferred shares shall be paid annually a fixed amount of USD7.5 representing a dividend yield of 7.5 percent per series 3 preferred share.

26. RESERVES

Reserves consist of the following:

	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Legal reserves (a)	77,329,453	62,128,605
Reserve for general banking risks (b)	-	79,516,997
General reserve for performing loans (c)	-	866,000
General reserves	5,763,001	138,000
Non-distributable reserve (d)	80,473,997	-
	163,566,451	**142,649,602**

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

(b) The reserve for general banking risks is constituted according to local banking regulations, from net profit, on the basis of a minimum of 2 per mil and a maximum of 3 per mil of the total risk weighted assets, off-balance sheet risk and global exchange position as defined for the computation of the solvency ratio at year-end, on condition that the aggregate rate does not fall bellow 1.25% at the end of the tenth year, starting 1998, which is 2007 and 2% at the end of the twentieth year. This reserve is constituted in Lebanese Pounds and in foreign currencies in proportion to the composition of the Bank's total risk weighted assets and off-balance sheet items. This reserve is not available for distribution and to be used to cover any annual losses or unexpected losses agreed upon with the banking control commission. During 2018, this reserve was transferred to non-distributable reserve account (refer to (d) below).

(c) In compliance with the basic circular no. 81 issued by the Central Bank of Lebanon, the Bank is required to transfer from net profit to general reserve for performing loans the equivalent of:

• 0.5% of retail loans that are less than 30 days past due (subject to deductions of some guarantees received) to general reserve for the year 2014 in addition to a percentage of 0.5% yearly over a six year period starting 2015.

• 0.25% of performing corporate loans to general reserve as of end of 2014. This reserve should increase to 0.5% as of end of 2015, 1% as of end of 2016 and 1.5% as of end of 2017. The Bank is exempted from this general reserve if the balance of collective provision is not less than 0.25% of the performing corporate loans portfolio as of end of 2014, 0.5% as of end of 2015, 1% as of end of 2016 and 1.5% as of end of 2017.

During 2018, this reserve was transferred to non-distributable reserve account (refer to (d) below)

(d) In compliance with article 16 of the basic circular no. 143 issued by the Central Bank of Lebanon, the bank transferred the reserve for general banking risk and the general reserve for performing loans to a non-distributable reserve accounts.

27. DIVIDENDS PAID

The following dividends were declared and paid by the Bank:

	2018 LBP'000	2017 LBP'000
Ordinary shares	75,400,000	39,060,000
Preferred shares	8,479,693	8,479,688
	83,879,693	**47,539,688**

28. NON-CONTROLLING INTERESTS

	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Capital	600,300	600,300
Retained earnings	1,402,836	847,244
Reserves	201,248	139,516
Profit for the year	126,329	617,324
	2,330,713	**2,204,384**

29. INTEREST INCOME

2018	Interest Income LBP'000	Withheld Tax LBP'000	Net Interest Income LBP'000
Interest income on:			
Deposits with Central Bank of Lebanon	360,591,390	(26,330,856)	334,260,534
Deposits with banks and financial institutions	11,187,250	(77,927)	11,109,323
Investment securities at amortized cost	426,081,225	(19,492,890)	406,588,335
Loans to banks and financial institutions	2,841,888	(200,604)	2,641,284
Loans and advances to customers	110,172,024	-	100,172,024
Loans and advances to related parties	3,103,541	-	3,103,541
	913,977,318	**(46,102,277)**	**867,875,041**

2017	Interest Income LBP'000	Withheld Tax LBP'000	Net Interest Income LBP'000
Interest income on:			
Deposits with Central Bank of Lebanon	188,721,220	(2,434,450)	186,286,770
Deposits with banks and financial institutions	16,837,159	-	16,837,159
Investment securities at amortized cost	326,701,920	(1,290,828)	325,411,092
Loans to banks and financial institutions	7,607,209	(64,893)	7,542,316
Loans and advances to customers	104,081,313	-	104,081,313
Loans and advances to related parties	3,635,081	-	3,635,081
	647,583,902	**(3,790,171)**	**643,793,731**

30. INTEREST EXPENSE

	2018 LBP'000	2017 LBP'000
Interest expense on:		
Deposits and borrowings from banks and financial institutions	3,894,840	1,954,940
Customers' accounts at amortized cost	557,496,052	466,807,983
Related parties' accounts at amortized cost	24,778,818	18,690,534
Subordinated bonds (Note 23)	4,639,176	4,528,678
Other borrowings	3,063,148	1,922,742
	593,872,034	**493,904,877**

31. FEE AND COMMISSION INCOME

	2018 LBP'000	2017 LBP'000
Commission on documentary credits	742,612	816,843
Commission on letters of guarantee	1,870,014	1,708,495
Service fees on customers' transactions	6,230,235	6,461,415
Asset management fees	95,367	115,961
Commission earned on insurance policies	297,401	249,814
Other	676,938	593,155
	9,912,567	**9,945,683**

32. FEE AND COMMISSION EXPENSE

	2018 LBP'000	2017 LBP'000
Commission on transactions with banks	828,583	747,477
Other	648,747	463,987
	1,477,330	**1,211,464**

33. OTHER OPERATING INCOME

	2018 LBP'000	2017 LBP'000
Net foreign exchange gain	3,604,468	3,682,814
Write-back of allowance on term placements (Note 5)	-	3,583,777
Loss on sale of investment securities at amortized cost	(3,467,608)	-
Other	928,091	717,508
	1,064,951	**7,984,099**

34. NET INTEREST AND OTHER GAIN / (LOSS) ON INVESTMENT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 LBP'000	2017 LBP'000
Interest income	46,067,647	117,246,002
Net unrealized loss	(19,935,719)	(66,466,386)
Net realized gain	17,515,066	51,996,804
Dividend income	297,581	279,427
Withheld tax on interest	(2,567,039)	(2,661,657)
	41,377,536	**100,394,190**

35. ALLOWANCE FOR IMPAIRMENT / (WRITE-BACK) OF LOANS AND ADVANCES (NET)

	2018 LBP'000	2017 LBP'000
Allowance for impairment loans and advances	-	12,552,347
Write back	-	10,492
Write-back from off-balance sheet accounts	-	(396,861)
Write-off bad debt	-	3,306
Allowance for loans booked in the off-balance sheet accounts	-	3,525
	-	**12,172,809**

36. STAFF COSTS

	2018 LBP'000	2017 LBP'000
Salaries and related charges	36,009,359	26,471,598
Executive management remunerations	9,967,756	12,804,360
Social security contributions	3,256,400	3,031,854
Provision for end-of-service indemnities (Note 22)	3,300,656	1,025,227
	52,534,171	**43,333,039**

37. GENERAL AND ADMINISTRATIVE EXPENSES

	2018 LBP'000	2017 LBP'000
Professional fees	3,432,238	2,620,181
Rent	1,888,185	1,548,200
Advertising	10,528,177	9,013,045
Post and telephone	1,289,769	1,261,025
Repairs and maintenance	1,586,823	1,562,084
Travel	529,779	580,795
Printing and stationery	906,169	823,514
Water and electricity	612,017	593,567
Insurance	408,606	385,018
Gifts and donations	58,367	551,942
Subscription fees	786,877	692,487
Municipality and other accrued taxes and penalties	1,419,840	1,258,422
Training and seminars	233,815	269,594
Cleaning	387,331	392,807
Licenses	79,845	104,893
Credit card expenses	769,079	632,030
Transportation	412,498	427,229
Miscellaneous expenses	1,600,766	1,338,999
	26,930,181	**24,055,832**

38. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

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

39. RELATED PARTIES

In the ordinary course of its activities, the Group conducts transactions with related parties including shareholders, directors, and other key management. Balances with related parties consist of the following:

	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Direct facilities and credit balances:		
Loans and advances (net of expected credit losses)	71,559,081	68,484,403
Deposits (Note 19)	316,915,647	286,298,035
Indirect facilities:		
Letters of guarantee	**91,525**	**91,525**

Loans and advances to related parties covered by real estate mortgage and cash collateral to the extent of LBP4.3billion and LBP66.5billion respectively for 2018 (real state mortgage of LBP3.6billion and cash collateral of LBP64.32billion for 2017).

The executive management remunerations amounted to LBP9.97billion during 2018 (LBP8.45billion in 2017).

40. CASH AND CASH EQUIVALENTS

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

	December 31, 2018 LBP'000	December 31, 2017 LBP'000
Cash on hand	43,914,631	40,182,667
Current accounts with central banks (excluding compulsory reserves)	95,578,698	255,621,123
Term placements with Central Bank of Lebanon	93,566,250	290,525,000
Checks for collection	10,056,502	15,140,417
Current accounts with banks and financial institutions	332,155,918	299,137,878
Term placements with banks and financial institutions	192,772,440	286,425,000
	768,044,439	**1,187,032,085**

Term deposits with the Central Bank of Lebanon and banks and financial institutions represent inter-bank placements and borrowings with an original term of 90 days or less.

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

• LBP709million representing the increase in assets acquired in satisfaction of loans for the year ended December 31, 2018 against decrease in loans and advances to customers for the same amount.

• LBP89billion representing the decrease in regulatory deferred liabilities under "other liabilities" against increase in expected credit losses.

• LBP817billion representing the increase in investment securities at amortized cost for the year ended December 31, 2018 against decrease in investment securities at fair value through profit or loss for the same amount.

• LBP29.57billion representing the decrease in provision for risk and charges for the year ended December 31, 2018 against increase in expected credit losses for the same amount.

• LBP36.6million representing the increase in intangible assets for the year ended December 31. 2018 against decrease in property and equipment for the same amount.

• LBP13.57billion representing the increase in provision for risk and charges for the year ended December 31, 2017 against decrease in loans and advances to customers for the same amount.

• LBP211million representing the increase in intangible assets for the year ended December 31. 2017 against decrease in property and equipment for the same amount.

41. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to comply with the capital requirements set by the Central Bank of Lebanon.

The Central Bank of Lebanon requires each bank or banking group to hold a minimum level of regularly capital of LBP10billion for the head office and LBP500million for each local branch and LBP1.5billion for each branch abroad (in addition to the amount imposed by the relevant authorities abroad).
The Group's capital is split as follows:

Tier I capital: Comprises share capital, non-cumulative perpetual preferred shares, share premium, reserves from appropriation of profits, retained earnings (exclusive of expected dividends distribution) and non-controlling interests after deductions for intangible assets.

Tier II capital: Comprises qualifying subordinated bonds, revaluation surplus of owned properties and other regulatory reserves.

The Group's consolidated capital adequacy ratio according to Central Bank of Lebanon directions and Based III as of December 31, 2018 and 2017 was as follows:

	December 31, 2018 LBP'MILLION	December 31, 2017 LBPMILLION
Common equity Tier 1	734,626	693,637
Additional Tier I capital	113,055	113,057
	847,681	**806,694**
Tier II capital	510,996	506,342
Total regulatory capital	1,358,677	1,313,036
Credit risk	3,712,183	3,575,287
Market risk	228,329	311,730
Operational risk	575,143	467,560
Risk-weighted assets and risk-weighted off-balance sheet items	**4,515,655**	**4,354,577**
Equity Tier I ratio	16.27%	15.93%
Tier I capital ratio	18.77%	18.53%
Risk based capital ratio-Tier I and Tier II capital	**30.09%**	**30.15%**

The Group has complied with imposed capital requirements throughout the year.

42. SEGMENT INFORMATION

The following is the financial position and the financial performance by Group entity allocated by geographical location:

Financial Position

	December 31, 2018 Lebanon Operations LBP'000	Cyprus Operations LBP'000	Iraq Operations LBP'000	Total LBP'000
ASSETS				
Cash and deposits with central banks	3,742,554,465	1,104,479	29,852,432	3,773,511,376
Deposits with banks and financial institutions	534,738,459	9,250	6,640	534,754,349
Loans to banks and financial institutions	39,303,120	-	-	39,303,120
Loans and advances to customers	1,230,403,443	1,764	14,419,905	1,244,825,112
Loans and advances to related parties	71,559,081	-	-	71,559,081
Investment securities at fair value through profit or loss	249,844,136	-	-	249,844,136
Investment securities at amortized cost	4,285,700,201	-	-	4,285,700,201
Customers' liability under acceptances	18,490,206	-	-	18,490,206
Assets under leverage arrangements with the Central Bank of Lebanon	1,474,719,815	-	-	1,474,719,815
Assets acquired in satisfaction of loans	25,321,535	-	-	25,321,535
Property and equipment	60,525,054	106,457	558,648	61,190,159
Intangible assets	656,864	49,529	44,823	751,216
Other assets	8,752,795	45,877	1,603,699	10,402,371
Total Assets	**11,742,569,174**	**1,317,356**	**46,486,147**	**11,790,372,677**
LIABILITIES				
Deposits from banks and financial institutions	115,387,138	-	96,285	115,483,423
Customers' accounts	8,360,265,009	88,384,894	68,945,968	8,517,595,871
Related parties' accounts	316,913,660	-	1,987	316,915,647
Liability under acceptance	18,526,912	-	-	18,526,912
Other borrowings	217,387,662	-	-	217,387,662
Leverage arrangements with the Central Bank of Lebanon	1,474,719,815	-	-	1,474,719,815
Other liabilities	68,874,833	686,974	772,847	70,334,654
Provisions	40,787,920	-	284,984	41,072,904
Subordinated bonds	60,676,875	-	-	60,676,875
Total Liabilities	**10,673,539,824**	**89,071,868**	**70,102,071**	**10,832,713,763**

	December 31, 2017 Lebanon Operations LBP'000	Cyprus Operations LBP'000	Iraq Operations LBP'000	Total LBP'000
ASSETS				
Cash and deposits with central banks	4,397,385,353	417,394	70,172,126	4,467,974,873
Deposits with banks and financial institutions	600,653,827	12,908	117,606	600,784,341
Loans to banks and financial institutions	50,484,852	-	-	50,484,852
Loans and advances to customers	1,318,043,461	656	16,500,130	1,334,544,247
Loans and advances to related parties	68,484,403	-	-	68,484,403
Investment securities at fair value through profit or loss	796,322,194	-	-	796,322,194
Investment securities at amortized cost	2,716,940,496	-	-	2,716,940,496
Customers' liability under acceptances	38,665,861	-	-	38,665,861
Assets under leverage arrangement with Central bank of Lebanon	194,906,550	-	-	194,906,550
Assets acquired in satisfaction of loans	24,612,014	-	-	24,612,014
Property and equipment	52,811,718	60,172	1,006,442	53,878,332
Intangible assets	810,955	2,754	2,340	816,049
Other assets	8,756,193	61,438	337,404	9,155,035
Total Assets	**10,268,877,877**	**555,322**	**88,136,048**	**10,357,569,247**
LIABILITIES				
Deposits from banks and financial institutions	33,725,532	-	96,285	33,821,817
Customers' accounts	8,232,528,257	59,956,549	53,325,845	8,345,810,651
Related parties' accounts	286,296,090	-	1,945	286,298,035
Liability under acceptance	38,665,861	-	-	38,665,861
Other borrowings	209,861,921	-	-	209,861,921
Leverage arrangement with Central Bank of Lebanon	194,906,550	-	-	194,906,550
Other liabilities	252,651,257	304,567	2,041,390	254,997,214
Provisions	62,055,192	-	-	62,055,192
Subordinated bonds	60,560,199	-	-	60,560,199
Total liabilities	**9,371,250,859**	**60,261,116**	**55,465,465**	**9,486,977,440**

Statement of Profit or Loss and Other Comprehensive Income

	Year Ended December 31, 2018			
	Lebanon Operations LBP'000	Cyprus Operations LBP'000	Iraq Operations LBP'000	Total LBP'000
Interest income	912,505,507	15	1,471,796	913,977,318
Withholding tax on interest	(46,102,277)	-	-	(46,102,277)
	866,403,230	15	1,471,796	867,875,041
Interest expense	(590,461,432)	(3,200,492)	(210,110)	(593,872,034)
Net interest income	275,941,798	(3,200,477)	1,261,686	274,003,007
Fee and commission income	7,764,929	14,308	2,133,330	9,912,567
Fee and commission expense	(1,260,200)	(85,436)	(131,694)	(1,477,330)
Net fee and commission income	6,504,729	(71,128)	2,001,636	8,435,237
Other operating income	1,015,098	-	49,853	1,064,951
Net interest and other gain/(loss) on investment securities at fair value through profit or loss	37,385,962	3,991,574	-	41,377,536
Net financial revenues	320,847,587	719,969	3,313,175	324,880,731
Provision for expected credit losses	(31,139,671)	-	(320,529)	(31,460,200)
Net financial revenues after provision For expected credit losses	289,707,916	719,969	2,992,646	293,420,531
Allowance for risk and charges (net)	(5,486,366)	-	-	(5,486,366)
Staff costs	(51,228,620)	(467,255)	(838,296)	(52,534,171)
Administrative expenses	(25,002,784)	(353,064)	(1,574,333)	(26,930,181)
Depreciation and amortization	(3,389,294)	(20,502)	(525,127)	(3,934,923)
Other expenses	(120,504)	-	(12,900)	(133,404)
Profit before income tax	204,480,348	(120,852)	41,990	204,401,486
Income tax expense	(33,522,880)	-	(165,120)	(33,688,000)
Profit for the year	170,957,468	(120,852)	(123,130)	170,713,486
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**170,957,468**	**(120,852)**	**(123,130)**	**170,713,486**

	Year Ended December 31, 2017			
	Lebanon Operations LBP'000	Cyprus Operations LBP'000	Iraq Operations LBP'000	Total LBP'000
Interest income	645,772,648	127,433	1,683,821	647,583,902
Withholding tax on interest	(3,790,171)	-	-	(3,790,171)
	641,982,477	127,433	1,683,821	643,793,731
Interest expense	(493,438,965)	(79,721)	(386,191)	(493,904,877)
Net interest income	148,543,512	47,712	1,297,630	149,888,854
Fee and commission income	7,790,452	11,387	2,143,844	9,945,683
Fee and commission expense	(1,044,306)	(107,222)	(59,936)	(1,211,464)
Net fee and commission income	6,746,146	(95,835)	2,083,908	8,734,219
Other operating income	7,955,162	13,782	15,155	7,984,099
Net interest and other gain/(loss) on investment securities at fair value through profit or loss	99,300,062	1,094,128	-	100,394,190
Net financial revenues	262,544,882	1,059,787	3,396,693	267,001,362
Allowance for impairment and write-off of loans and advances (net)	(12,172,809)	-	-	(12,172,809)
Net financial revenues after impairment charge for credit losses	250,372,073	1,059,787	3,396,693	254,828,553
Allowance for risk and charges (net)	(11,802,713)	-	-	(11,802,713)
Staff costs	(42,114,011)	(444,852)	(774,176)	(43,333,039)
Administrative expenses	(22,401,272)	(346,118)	(1,308,442)	(24,055,832)
Depreciation and amortization	(3,700,979)	(15,505)	(540,672)	(4,257,156)
Other expenses	(72,661)	-	(508,008)	(580,669)
Profit before income tax	170,280,437	253,312	265,395	170,799,144
Income tax expense	(17,214,656)	(49,184)	(152,460)	(17,416,300)
Profit for the year	153,065,781	204,128	112,935	153,382,844
Other comprehensive income	-	-	-	-
Total Comprehensive income for the year	**153,065,781**	**204,128**	**112,935**	**153,382,844**

43. FINANCIAL RISK MANAGEMENT

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

• Credit risk
• Liquidity risk
• Market risk
• Interest rate risk
• Foreign exchange risk

The Credit Committee, Assets and Liabilities Committee work under the mandate of the board to set up risk limits and manage the overall risk in the Group. Risk committee was established whose role is to supervise the proper implementation of risk management procedures at the Bank and all its branches aboard and subsidiaries, in compliance with the regulations issued or will be issued by the Central Bank of Lebanon and Banking Control Commission.

A. Credit Risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers and other banks (including related commitments to lend such as loan or credit card facilities), investments in Government debt securities and Certificates of deposit issued by the Central Bank of Lebanon. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

Credit risk management

The Group's credit committee is responsible for managing the Group's credit risk by:

• Ensuring that the Group has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Group's stated policies and procedures, IFRS and relevant supervisory guidance.

• Identifying, assessing and measuring credit risk across the Group, from an individual instrument to a portfolio level.

• Creating credit policies to protect the Group against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.

• Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating, geographic location etc.

• Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.

• Developing and maintaining the Group's risk grading to categorise exposures according to the degree of risk of default. Risk grades are subject to regular reviews.

• Developing and maintaining the Group's processes for measuring ECL including monitoring of credit risk, incorporation of forward looking information and the method used to measure ECL.

• Ensuring that the Group has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.

• Establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

Significant increase in credit risk

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

In order to minimise credit risk, the Group has tasked its credit management committee to develop and maintain the Group's credit risk grading to categories exposures according to their degree of risk of default. The Group's credit risk grading framework comprises ten categories.

The S&P module is used by the Group to compute the probability of Default (PD) and the Loss Given Default (LGD) of corporate portfolio.

In order to calculate the PD, the S&P module will estimate the likelihood that a borrower will be unable to meet his debt obligations based on the following criteria:

- Country risk: the country in which the client operates along with the percentage of EBIDTA or sales turnover generated from each country (if the client operates in multiple regions).

- Industry: the industry nature and the percentage of EBITDA or sales turnover generated from each industry the client operates in (if the client operates in multiple sectors).

- Competitive advantage

- Diversification

- Operating efficiency

- Financial risk based on 1 year financials or on 3 or 5 year average financial figures. The main financial ratios to be considered are: FFO to Debt, Debt to EBITDA, EBITDA Interest coverage, Total Debt to Total Liabilities (Debt + Equity), FFO, Debt, EBIDTA, Total Equity, Revenues.

The resulting PD will be subject to a list of modifiers which are a list of questions to which the credit officer will answer and will grant the client a grade. These questions are related to the client's portfolio diversification, to his capital structure, to his financial and liquidity policy, to his risk management and financial management, to his organizational effectiveness and finally to his governance policy.

To get the final rating, the module adds the effect of sovereign currency rating as well as the sensitivity of the client to the country risk in addition to the impact of the any support whether coming from a guarantor, a government related entity or a holding company.

As for the LGD, the module allows to estimate a percentage representing the share of the Group's loss on a defaulting loan prior to its default based on the following measures:

- The economic sector to which the client belongs in addition to the percentage of revenues generated from each economic sector in which the client operates.

- The country in which the client operates in addition to the percentage of revenues generated from each country region.

- The earning measure estimates the current economic value of the obligor based on his total adjusted assets. The Group defines this as simply total reported assets less intangibles and goodwill.

- Adjusted Total Assets = Total Assets – (Intangibles + Goodwill)

LGD estimates under three distinct scenarios, reflecting expectations of general economic conditions:

Positive: The organization has positive economic expectations over the short-term (1 to 3 years) for the country/region to which the corporate is exposed.

Neutral: This selection is appropriate in cases where the expectations are of little or no GDP growth. Stagnating growth in other relevant factors are also expected. This phase is typically between a trough and peak of a credit cycle.

Negative: This selection signals the expectation of an impending economic downturn.

After determining the client's economic value, the calculation will follow a waterfall approach deducting from this economic value the debt and other liabilities (i.e. debt granted at other banks, recovery cost) and adding the collaterals and recovery enhancements.

All these criteria combined will allow the module to generate the percentage of loss on a facility.

Usage of PD and LGD

As a first step, the PD will allow us to classify the commercial loans portfolio into 3 stages based on the following:

IFRS 9 Stages	PD%/Rating Brackets	BCC Internal Rating		Past due in Days	BDL Classification
Stage 1	$0 \le PD \le 4.58$ AAA < Rating < B	1	Excellent	Less than 30	1-Current
	$4.59 \le PD \le 7.27$ Rating = B-	2	Strong		
	$7.28 \le PD \le 9.91$ Rating = B-	3	Good	Between 31 and 60	2-Watch List
	$9.92 \le PD \le 13.51$ Rating = CCC+	4	Satisfactory		
	$13.52 \le PD \le 18.41$ Rating = CCC+	5	Adequate		
Stage 2	$18.42 \le PD \le 25.09$ Rating = CCC	6	Marginal	Between 61 and 90	3-Watch and Regularization
	$25.10 \le PD \le 34.19$ Rating = CCC	7	Vulnerable		
Stage 3	$34.20 \le PD \le 46.60$ Rating = CCC-	8	Substandard	Between 91 and 180	4-Substandard
	$46.61 \le PD \le 63.52$ Rating = CCC-	9	Doubtful	Above 180 (classification to be determined by the bank)	5-Doubtful
	$PD \ge 63.53$ Rating = D	10	Loss		6-Loss

Then based on the stage, and on the LGD obtained for each facility, the Group will be able to generate the ECL which is : ECL = PD x LGD x EAD for stage 1 clients, the PD will be point in time and for stage 2 and 3 clients, the PD will be converted to a lifetime PD.

For retail exposures: the simplified approach is used by the Group by which internally generated data of customer behavior, affordability metrics etc. has been used, adjusted by Forward-looking information. The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL which is also integrated in the S&P module used by the Group.

As to investments in Government debt securities, term placements and certificates of deposit issued by the Central Bank of Lebanon that are classified at amortized cost, there has been no significant increase in credit risk of those financial assets since their initial recognition and thus they were all classified under stage 1.

Risk mitigation policies

Collateral:

The Group mainly employs collateral to mitigate credit risk. The principal collateral types for loans and advances are:

• Pledged deposits
• Mortgages over real estate properties (land, commercial and residential properties)
• Bank guarantees
• Financial instruments (equities and debt securities)
• Business other assets (such as inventories and accounts receivable)

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally updated every 3 years and when a loan is individually assessed as impaired.

Generally, Collateral is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities.

Write-off policy

The Group writes-off a loan or security (and any related allowances for impairment losses) when the Group›s management and credit business unit determine that the loans/securities are uncollectible in whole or in part. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer›s financial position such that the borrower/issuer can no longer pay its obligation in full, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, charge off decisions generally are based on a product specific past due status.

1. Maximum exposure to credit risk

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

December 31,2018	Gross Carrying Amount (Including Accrued Interest) LBP'000	Expected Credit Losses LBP'000	Net Carrying Amount LBP'000
Cash with central banks	3,750,700,346	(16,302,363)	3,734,397,983
Deposits with banks and financial institutions	525,016,370	(318,523)	524,697,847
Loans to banks	39,815,546	(512,426)	39,303,120
Loans and advances to customers	1,344,468,615	(99,643,503)	1,244,825,112
Loans and advances to related parties	71,621,874	(62,793)	71,559,081
Amortized cost investment securities	4,368,376,357	(82,676,156)	4,285,700,201
Customers' liability under acceptances	18,526,913	(36,707)	18,490,206
	10,118,526,021	**(199,552,471)**	**9,918,973,550**
Unutilized limits and off-balance sheet commitments	**394,591,166**	**(1,107,220)**	**393,483,946**

The following represents the movement of expected loss allowance during 2018:

	Balance as at January 1, 2018 LBP'000	Additional ECL for the Year LBP'000	Other Movements LBP'000	Balance as at December 31, 2018 LBP'000
Cash with central banks	17,746,769	(1,444,406)	-	16,302,363
Deposits with banks and financial institutions	345,003	(26,480)	-	318,523
Loans to banks	649,740	(137,314)	-	512,426
Loans and advances to customers	76,235,228	23,656,547	(248,272)	99,643,503
Loans and advances to related parties	14,817	47,976	-	62,793
Amortized cost investment securities	72,560,771	10,115,385	-	82,676,156
Customers' liability under acceptances	693,216	(656,509)	-	36,707
Unutilized limits and off-balance sheet commitments	1,202,219	(94,999)	-	1,107,220
	169,447,763	**31,460,200**	**(248,272)**	**200,659,691**

1.1) Balances with central banks

Balances with central banks are classified under stage 1.

Changes in carrying amounts of balances with central banks that contributed to changes in loss allowance are detailed as follows:

	Stage 1 | 12-month ECL LBP'000
Gross carrying amount as at January 1, 2018	4,402,750,685
New financial assets originated or purchased	1,708,986,748
Financial assets that have been derecognised	(2,419,216,808)
Gross carrying amount as at December 31, 2018	3,692,520,625
Accrued interest receivable	58,179,721
	3,750,700,346

Movement of loss allowance on balances with central banks is detailed as follows:

	Stage 1 | 12-month ECL LBP'000
Loss allowance as at January 1, 2018	17,746,769
New financial assets originated or purchased	2,633,601
Financial assets that have been derecognised	(4,078,007)
Loss allowance as at December 31, 2018	**16,302,363**

1.2) Deposits with banks and financial institutions

Deposits with banks and financial institutions are classified under stage 1.

Changes in carrying amounts of deposits with banks and financial institutions that contributed to changes in loss allowance is detailed as follows:

	Stage 1 | 12-month ECL LBP'000
Gross carrying amount as at January 1, 2018	585,562,878
New financial assets originated or purchased	225,790,480
Financial assets that have been derecognised	(286,425,000)
Gross carrying amount as at December 31, 2018	524,928,358
Accrued interest receivable	88,012
	525,016,370

The movement of expected credit loss allowance on deposits with banks and financial institutions is detailed as follows:

	Stage 1 | 12-month ECL LBP'000
Loss allowance as at January 1, 2018	345,003
New financial assets originated or purchased	223,399
Financial assets that have been derecognised	(249,879)
Loss allowance as at December 31, 2018	**318,523**

1.3) Loans to banks

Changes in carrying amounts of loan to a bank that contributed to changes in loss allowance is detailed as follows:

	Stage 1 | 12-month ECL LBP'000
Gross carrying amount as at January 1, 2018	50,100,000
Financial assets that have been derecognised	(10,600,000)
Gross carrying amount as at December 31, 2018	39,500,000
Accrued interest receivable	315,546
	39,815,546

The movement of expected credit loss allowance on loans to banks is detailed as follows:

	Stage 1 | 12-month ECL LBP'000
Loss allowance as at January 1, 2018	649,740
Financial assets that have been derecognised	(137,314)
Loss allowance as at December 31, 2018	**512,426**

1.4) Loans and advances to customers:

The allocation of loans and advances to customers by grade to their respective stage is presented as follows:

December 31,2018	Stage 1 12-month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Grades 1-3: low to fair risk	1,240,369,829	-	-	1,240,369,829
Grades 4-6: Monitoring	-	27,278,513	-	27,278,513
Grades 7-8: Substandard	-	-	12,399,205	12,399,205
Grade 9: Doubtful	-	-	60,588,612	60,588,612
Grade 10: Impaired	-	-	3,251,672	3,251,672
Total gross carrying amount	1,240,369,829	27,278,513	76,239,489	1,343,887,831
Loss allowance	(63,274,526)	(1,573,876)	(34,795,101)	(99,643,503)
Carrying Amount	1,177,095,303	25,704,637	41,444,388	1,244,244,328
Accrued interest receivable	-	-	-	580,784
				1,244,825,112

Changes in carrying amounts of loans to customers (excluding accrued interest) that contributed to changes in loss allowance is detailed as follows:

December 31,2018	Stage 1 12-month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Gross carrying amount as at January 1, 2018	1,253,657,410	44,533,319	71,077,784	1,369,268,513
Changes in the loss allowance:				
- Transfer to Stage 1	184,908	(184,908)	-	-
- Transfer to Stage 2	(7,067,803)	7,067,803	-	-
- Transfer to Stage 3	(6,943,057)	(71,160)	7,014,217	-
- Write-offs	-	-	-	-
- Changes due to modifications that did not result in derecognition	(44,740,931)	(10,871,759)	(589,786)	(56,202,476)
New financial assets originated or purchased	104,063,496	-	-	104,063,496
Financial assets that have been settled	(59,913,154)	(13,193,784)	(1,262,726)	(74,369,664)
Changes in models/risk parameters	-	-	-	-
Foreign exchange and other movements	1,128,960	(998)	-	1,127,962
Gross carrying amount as at December 31, 2018	**1,240,369,829**	**27,278,513**	**76,239,489**	**1,343,887,831**

December 31,2018	Stage 1 12-month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Loss allowance as at January 1, 2018	42,384,264	2,078,612	31,772,352	76,235,228
Changes in the loss allowance:				
- Transfer to Stage 1	73	(73)	-	-
- Transfer to Stage 2	(242)	242	-	-
- Transfer to Stage 3	(431,285)	(1,475)	432,760	-
- Increases due to change in credit risk	-	2,319	1,790,039	1,792,358
- Decreases due to change in credit risk	(59)	-	-	(59)
- Changes due to modifications that did not result in derecognition	23,949,669	(505,577)	1,739,261	25,183,353
New financial assets originated or purchased	147,281	-	-	147,281
Financial assets that have been settled	(2,775,175)	(172)	(939,311)	(3,714,658)
Loss allowance as at December 31, 2018	**63,274,526**	**1,573,876**	**34,795,101**	**99,643,503**

The movement of the allowance for impairment of collectively assessed loans and advances during 2017 was as follows:

	2017 LBP'000
Balance, January 1	(219,067,599)
Additions - Individually assessed loans	(15,105,713)
Write-back through profit or loss- Individually assessed loans	6,253,894
Write-back - collectively assessed loans	5,674,477
Effect of assets held for sale adjustments	138,598,943
Write-off	505,622
Effect of exchange rates changes	(71,518)
Transfer to off-balance sheet	1,925
Balance, December 31	**(83,209,969)**

The allocation of loans and advances to related parties by grade to their respective stage is presented as follows:

December 31,2018	Stage 1 12-month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Grades 1-3: low to fair risk	71,614,031	-	-	71,614,031
Total gross carrying amount	71,614,031	-	-	71,614,031
Loss allowance	(62,793)	-	-	(62,793)
Carrying Amount	71,551,238	-	-	71,551,238
Accrued interest receivable	-	-	-	7,843
				71,559,081

Changes in carrying amounts of loans to related parties (excluding accrued interest) that contributed to changes in loss allowance is detailed as follows:

2018	Stage 1 12-month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Gross carrying amount as at January 1, 2018	68,469,311	-	-	68,469,311
Changes in the loss allowance:				
Changes due to modifications that did not result in derecognition	3,144,804	-	-	3,144,804
New financial assets originated or purchased	30	-	-	30
Financial assets that have been settled	(186)	-	-	(186)
Foreign exchange and other movements	72	-	-	72
Gross carrying amount as at December 31, 2018	**71,614,031**	-	-	**71,614,031**

2018	Stage 1 12-month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Loss allowance as at January 1, 2018	14,817	-	-	14,817
Changes in the loss allowance:				
Changes due to modifications that did not result in derecognition	47,979	-	-	47,979
New financial assets originated or purchased	1	-	-	1
Financial assets that have been settled	(4)	-	-	(4)
Loss allowance as at December 31, 2018	**62,793**	-	-	**62,793**

1.5) Investment securities

Investment securities are mainly concentrated with the Lebanese Government and Central Bank of Lebanon and are classified under stage 1.

The Bank does not have direct or indirect exposure to any sub-prime mortgage debts, collateralized debt obligations, real estate derivative investments, alternate real estate investments or guarantees arising from the same.

The movement of expected credit loss allowance for investments at amortized cost is as follows:

	Stage 1 | 12-month ECL LBP'000
Loss allowance as at January 1, 2018	72,560,771
New financial assets originated or purchased	10,687,785
Financial assets that have been derecognised	(572,400)
Loss allowance as at December 31, 2018	**82,676,156**

1.6) Customer's liability under acceptances

Customers' liability under acceptances represents facilities granted only for resident customers and are classified as follows:

2018	Stage 1 | Lifetime ECL LBP'000
Grades 1-3: low to fair risk	18,526,913
Total gross carrying amount	18,526,913
Loss allowance	(36,707)
Carrying Amount	**18,490,206**

Changes in carrying amounts of customer liability under acceptance that contributed to changes in loss allowance is detailed as follows:

2018	Stage 1 | Lifetime ECL LBP'000
Gross carrying amount as at January 1, 2018	38,665,861
Changes in the loss allowance:	
Changes due to modifications that did not result in derecognition	286,100
New financial assets originated or purchased	4,282,299
Financial assets that have been settled	(24,101,840)
Foreign exchange and other movements	(605,507)
Gross carrying amount as at December 31, 2018	**18,526,913**

The movement of expected credit loss allowance on customer's liability under acceptances is as follows:

2018	Stage 1 | 12-month ECL LBP'000
Loss allowance as at January 1, 2018	693,216
Changes due to modifications that did not result in derecognition	(4,448)
New financial assets originated or purchased	17,880
Financial assets that have been derecognised	(669,941)
Loss allowance as at December 31, 2018	**36,707**

Loan commitments and financial guarantees are classified as follows:

2018	Stage 1 12-month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Total LBP'000
Grades 1-3: low to fair risk	386,630,618	-	386,630,618
Grades 4-6: Monitoring	-	7,960,548	7,960,548
Total gross carrying amount	386,630,618	7,960,548	394,591,166
Loss allowance	(1,038,050)	(69,170)	(1,107,220)
Carrying Amount	**385,592,568**	**7,891,378**	**393,483,946**

Changes in carrying amounts of loan commitments that contributed to changes in loss allowance is detailed as follows:

2018	Stage 1 12-month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Total amount committed as at January 1, 2018	412,504,969	2,958,576	904,500	416,368,045
Changes in the amounts committed:				
Changes due to modifications	5,657,156	5,004,646	-	10,661,802
New loan commitments originated or purchased	44,062,607	-	-	44,062,607
Financial assets that have been settled	(75,594,113)	(2,675)	(904,500)	(76,501,288)
Gross carrying amount as at December 31, 2018	**386,630,619**	**7,960,547**	**-**	**394,591,166**

2018	Stage 1 12-month ECL LBP'000	Stage 2 Lifetime ECL LBP'000	Stage 3 Lifetime ECL LBP'000	Total LBP'000
Loss allowance as at January 1, 2018	1,161,817	39,190	1,212	1,202,219
Changes in the amounts committed:				
Changes due to modifications	(13,103)	29,980	-	16,877
New loan commitments originated or purchased	57,491	-	-	57,491
Financial assets that have been settled	(168,155)	-	(1,212)	(169,367)
Loss allowance as at December 31, 2018	**1,038,050**	**69,170**	**-**	**1,107,220**

Concentration of major financial assets by industry or sector:

	December 31, 2018				December 31, 2018				
	Sovereign LPB'000	Financial Services LPB'000	Real Estate Development LPB'000	Manufacturing LPB'000	Trading LPB'000	Services LPB'000	Individuals LPB'000	Others LPB'000	Total LPB'000
Cash & deposits with Central Banks	3,773,511,376	-	-	-	-	-	-	-	3,773,511,376
Deposits with banks and financial institutions	-	534,754,349	-	-	-	-	-	-	534,754,349
Loans to banks and financial institutions	-	39,303,120	-	-	-	-	-	-	39,303,120
Loans and advances to customers	-	29,524,175	224,621,624	52,102,777	170,613,979	427,085,330	331,510,464	9,366,763	1,244,825,112
Loans and advances to related parties	-	63,957,421	2,473,021	-	1,534,698	-	3,586,093	7,848	71,559,081
Investment securities at fair value through profit or loss	239,962,600	9,881,536	-	-	-	-	-	-	249,844,136
Investment securities at amortized cost	4,285,700,201	-	-	-	-	-	-	-	4,285,700,201
	8,299,174,177	**677,420,601**	**227,094,645**	**52,102,777**	**172,148,677**	**427,085,330**	**335,096,557**	**9,374,611**	**10,199,497,375**

	December 31, 2017				December 31, 2017					
	Sovereign LPB'000	Financial Services LPB'000	Real Estate Development LPB'000	Manufacturing LPB'000	Trading LPB'000	Services LPB'000	Individuals LPB'000	Others LPB'000	Allowance For Collective Impairment LPB'000	Total LPB'000
Cash & deposits with Central Banks	4,467,974,873	-	-	-	-	-	-	-	-	4,467,974,873
Deposits with banks and financial institutions	-	600,784,341	-	-	-	-	-	-	-	600,784,341
Loans to banks and financial institutions	-	50,484,852	-	-	-	-	-	-	-	50,484,852
Loans and advances to customers	-	22,999,365	312,099,610	67,330,721	112,984,713	474,350,372	346,217,155	10,874,233	(12,311,922)	1,334,544,247
Loans and advances to related parties	-	60,880,425	2,466,790	-	225,695	-	4,902,639	8,854	-	68,484,403
Investment securities at fair value through profit or loss	788,287,772	8,034,422	-	-	-	-	-	-	-	796,322,194
Investment securities at amortized cost	2,716,940,496	-	-	-	-	-	-	-	-	2,716,940,496
	7,973,203,141	**743,183,405**	**314,566,400**	**67,330,721**	**113,210,408**	**474,350,372**	**351,119,794**	**10,883,087**	**(12,311,922)**	**10,035,535,406**

Concentration of major financial assets and liabilities by geographical area:

	December 31, 2018					
	Lebanon LBP'000	Middle East & Africa LBP'000	North America LBP'000	Europe LBP'000	Other LBP'000	Total LBP'000
ASSETS						
Cash and Deposits with Central Banks	3,755,399,485	17,061,062	-	1,050,829	-	3,773,511,376
Deposits with banks & financial institutions	17,443,513	24,581,172	304,837,318	187,800,275	92,071	534,754,349
Loans to banks & financial Institutions	39,303,120	-	-	-	-	39,303,120
Loans and advances to customers	834,964,305	384,284,624	-	11,259,929	14,316,254	1,244,825,112
Loans and advances to related parties	71,559,081	-	-	-	-	71,559,081
Investment securities at fair value through profit or loss	249,844,136	-	-	-	-	249,844,136
Investment securities at amortized cost	4,285,700,201	-	-	-	-	4,285,700,201
	9,254,213,841	**425,926,858**	**304,837,318**	**200,111,033**	**14,408,325**	**10,199,497,375**
LIABILITIES						
Deposits from banks & financial Institutions	74,147,059	40,146,156	-	1,190,208	-	115,483,423
Customers' accounts	6,544,885,394	1,341,794,870	174,646,946	369,813,435	86,455,226	8,517,595,871
Related parties accounts	316,915,647	-	-	-	-	316,915,647
Other borrowings	217,387,662	-	-	-	-	217,387,662
Subordinated bonds	60,676,875	-	-	-	-	60,676,875
	7,214,012,637	**1,381,941,026**	**174,646,946**	**371,003,643**	**86,455,226**	**9,228,059,478**

	December 31, 2017					
	Lebanon LBP'000	Middle East & Africa LBP'000	North America LBP'000	Europe LBP'000	Other LBP'000	Total LBP'000
ASSETS						
Cash and Deposits with Central Banks	4,405,742,110	61,947,519	-	285,244	-	4,467,974,873
Deposits with banks & financial institutions	16,159,839	39,405,847	181,614,207	355,689,404	7,915,044	600,784,341
Loans to banks & financial Institutions	50,484,852	-	-	-	-	50,484,852
Loans and advances to customers	995,216,115	321,969,741	310,553	2,696,923	14,350,915	1,334,544,247
Loans and advances to related parties	68,484,403	-	-	-	-	68,484,403
Investment securities at fair value through profit or loss	796,322,194	-	-	-	-	796,322,194
Investment securities at amortized cost	2,716,940,496	-	-	-	-	2,716,940,496
	9,049,350,009	**423,323,107**	**181,924,760**	**358,671,571**	**22,265,959**	**10,035,535,406**
LIABILITIES						
Deposits from banks & financial Institutions	22,586,498	9,078,965	-	2,156,354	-	33,821,817
Customers' accounts	6,292,495,871	1,146,460,042	361,654,660	524,931,319	20,268,759	8,345,810,651
Related parties accounts	286,298,035	-	-	-	-	286,298,035
Other borrowings	209,861,921	-	-	-	-	209,861,921
Subordinated bonds	60,560,199	-	-	-	-	60,560,199
	6,871,802,524	**1,155,539,007**	**361,654,660**	**527,087,673**	**20,268,759**	**8,936,352,623**

B. Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities at a point of time.

1. Liquidity risk management

The Group risk management and monitoring is based on the aggregate structure of the balance sheet through mitigating risks that are directly associated to the mismatch between maturities in the balance sheet and contingent liabilities. The Group's financial position structure is run in a way aimed at maintaining diversification and lowering concentration among different sources of funds. All liquidity policies and procedures are subject to review and approval by ALCO.

The table below shows the allocation of major monetary liabilities based on the earliest possible contractual maturity (undiscounted values).

Liabilities		December 31, 2018			December 31, 2018		
	Accounts with no Maturity LPB'Million	Up to 3 Months LPB'Million	3 Months to 1 Year LPB'Million	1 to 3 Years LPB'Million	3 to 5 Years LPB'Million	Over 5 Years LPB'Million	Total LPB'Million
Deposits and borrowings from banks & financial Institutions	4,504	110,979	-	-	-	-	115,483
Customers' accounts	55,677	6,561,091	1,513,015	349,750	37,962	101	8,517,596
Related parties accounts	-	280,822	36,094	-	-	-	316,916
Other borrowings	9,569	3,818	6,830	148,187	3,917	45,067	217,388
Subordinated bonds	377	-	-	-	-	60,300	60,677
	70,127	**6,956,710**	**1,555,939**	**497,937**	**41,879**	**105,468**	**9,228,060**

Liabilities		December 31, 2017			December 31, 2017		
	Accounts with no Maturity LPB'Million	Up to 3 Months LPB'Million	3 Months to 1 Year LPB'Million	1 to 3 Years LPB'Million	3 to 5 Years LPB'Million	Over 5 Years LPB'Million	Total LPB'Million
Deposits and borrowings from banks & financial Institutions	25,606	8,216	-	-	-	-	33,822
Customers' accounts	756,891	6,250,169	1,067,903	269,022	1,826	-	8,345,811
Related parties accounts	201	254,325	31,772	-	-	-	286,298
Other borrowings	-	2,055	104,715	27,742	35,372	39,978	209,862
Subordinated bonds	-	260	-	-	-	60,300	60,560
	782,698	**6,515,025**	**1,204,390**	**296,764**	**37,198**	**100,278**	**8,936,353**

C. Market Risks

Market Risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and loan diversification. The Group manages market risks through a framework that defines the global activity and individual limits and sensitivity analysis.

1. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments or expected cash flows from income generating financial assets and liabilities. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of financial assets and liabilities.

Large amounts of the Group's financial assets, primarily investments in certificates of deposit and Lebanese government bonds in Lebanese pounds and foreign currencies, carry fixed interest rates, whereas customers' accounts and loans and advances to customers are re-priced on a regular basis which, consequently, leads to major risks from the mismatch between the sources and uses of funds, and in its turn increases interest rate risk.

Income sensitivity is the effect of the assumed changes in the interest rate on the net interest revenues for a specific year on the non-trading assets and liabilities. Analysis of various banking currency positions is made through concentrations by currencies and, resulting sensitivity is disclosed in thousands of Lebanese pounds and segregated between financial assets and liabilities subject to variable and fixed interest rates.

Exposure to interest rate risk

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

	December 31, 2018		December 31, 2018				
	Accounts with no Maturity LPB'Million	Up to 3 Months LPB'Million	3 Months to 1 Year LPB'Million	1 to 3 Years LPB'Million	3 to 5 Years LPB'Million	Over 5 Years LPB'Million	Total LPB'Million
FINANCIAL ASSETS							
Cash and deposits with central banks	21,366	492,270	162,489	1,095,090	255,435	1,746,861	3,773,511
Deposits with banks and financial institutions	-	534,754	-	-	-	-	534,754
Loans to banks & financial Institutions	-	203	10,200	19,400	8,000	1,500	39,303
Loans and advances to customers	446,589	221,923	118,490	162,102	121,293	174,428	1,244,825
Loans and advances to related parties	-	71,559	-	-	-	-	71,559
Investment securities at fair value through profit or loss	3,824	637	72,177	44,022	4,496	124,688	249,844
Investment securities at amortized cost	7,587	9	1,458	377,175	1,123,341	2,776,130	4,285,700
	479,366	**1,321,355**	**364,814**	**1,697,789**	**1,512,565**	**4,823,607**	**10,199,496**
FINANCIAL LIABILITIES							
Deposits from banks and financial Institutions	4,504	110,979	-	-	-	-	115,483
Customers' accounts	55,677	6,561,091	1,513,015	349,750	37,962	101	8,517,596
Related parties accounts	-	280,822	36,094	-	-	-	316,916
Other borrowings	9,569	3,818	6,830	148,187	3,917	45,067	217,388
Subordinated bonds	377	-	-	-	-	60,300	60,677
	70,127	**6,956,710**	**1,555,939**	**497,937**	**41,879**	**105,468**	**9,228,060**

	December 31, 2017		December 31, 2017				
	Accounts with no Maturity LPB'Million	Up to 3 Months LPB'Million	3 Months to 1 Year LPB'Million	1 to 3 Years LPB'Million	3 to 5 Years LPB'Million	Over 5 Years LPB'Million	Total LPB'Million
FINANCIAL ASSETS							
Cash and deposits with central banks	24,343	708,133	113,932	590,890	871,094	2,159,583	4,467,975
Deposits with banks and financial institutions	-	600,784	-	-	-	-	600,784
Loans to banks & financial Institutions	-	785	10,200	21,000	13,000	5,500	50,485
Loans and advances to customers	37,779	627,691	647,176	10,480	11,373	45	1,334,544
Loans and advances to related parties	-	68,484	-	-	-	-	68,484
Investment securities at fair value through profit or loss	15,258	693	2,628	754	397,889	379,100	796,322
Investment securities at amortized cost	64,495	13,153	110,468	206,578	419,603	1,902,643	2,716,940
	141,875	**2,019,723**	**884,404**	**829,702**	**1,712,959**	**4,446,871**	**10,035,534**
FINANCIAL LIABILITIES							
Deposits from banks and financial Institutions	25,606	8,216	-	-	-	-	33,822
Customers' accounts	756,891	6,250,169	1,067,903	269,022	1,826	-	8,345,811
Related parties accounts	201	254,325	31,772	-	-	-	286,298
Other borrowings	-	2,508	105,861	29,301	37,764	34,428	209,862
Subordinated bonds	-	260	-	-	-	60,300	60,560
	782,698	**6,515,478**	**1,205,536**	**298,323**	**39,590**	**94,728**	**8,936,353**

2. Foreign Exchange risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates.

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

	December 31, 2018		December 31, 2018			
	LBP LPB'000	USD C/V in LBP LPB'000	EURO C/V in LBP LPB'000	GBP C/V in LBP LPB'000	Other Currencies C/V in LBP LPB'000	Total LPB'000
ASSETS						
Cash and deposits with central banks	3,133,569,249	78,103,205	551,386,019	265,049	10,187,854	3,773,511,376
Deposits with banks and financial institutions	2,446,522	465,784,248	22,999,259	26,945,852	16,578,468	534,754,349
Loans to banks and financial institutions	39,303,120	-	-	-	-	39,303,120
Loans and advances to customers	346,675,893	874,758,209	23,130,925	260,085	-	1,244,825,112
Loans and advances to related parties	5,457,831	65,193,258	16,800	-	891,192	71,559,081
Investment securities at fair value through profit or loss	107,699,207	142,144,929	-	-	-	249,844,136
Investment securities at amortized cost	2,523,134,913	1,762,565,288	-	-	-	4,285,700,201
Customers' liability under acceptances	-	3,976,397	14,513,809	-	-	18,490,206
Assets under leverage arrangement with the Central Bank of Lebanon	1,474,719,815	-	-	-	-	1,474,719,815
Assets acquired in satisfaction of loans	6,295,820	19,025,715	-	-	-	25,321,535
Property and equipment	46,884,978	13,656,357	102,387	-	546,437	61,190,159
Intangible assets	640,130	16,734	49,530	-	44,822	751,216
Other assets	7,657,500	1,052,176	120,253	-	1,572,442	10,402,371
Total Assets	**7,694,484,978**	**3,426,276,516**	**612,318,982**	**27,470,986**	**29,821,215**	**11,790,372,677**
LIABILITIES						
Deposits from banks and financial institutions	58,502,386	54,465,721	353,254	2,155,277	6,785	115,483,423
Customers' accounts	3,422,704,866	4,523,530,526	517,555,557	25,321,671	28,483,251	8,517,595,871
Related parties ' accounts	191,646,313	88,850,428	36,188,508	77,340	153,058	316,915,647
Liability under acceptance	-	4,013,104	14,513,808	-	-	18,526,912
Other borrowings	208,341,253	9,046,409	-	-	-	217,387,662
Leverage arrangements with the Central Bank of Lebanon	1,474,719,815	-	-	-	-	1,474,719,815
Other liabilities	46,999,480	(17,205,983)	41,440,835	21,429	(1,211,144)	70,044,617
Provisions	14,583,354	26,489,550	-	-	-	41,072,904
Subordinated bonds	-	60,676,875	-	-	-	60,676,875
Total Liabilities	**5,417,497,467**	**4,749,866,630**	**610,051,962**	**27,575,717**	**27,431,950**	**10,832,423,726**
Currencies to be delivered	-	44,495,729	1,724,730	-	5,068,662	51,289,121
Currencies to be received	-	(6,941,201)	(41,307,284)	-	(3,330,673)	(51,579,158)
	-	**37,554,528**	**(39,582,554)**	**-**	**1,737,989**	**(290,037)**
Net on-balance sheet financial position	**2,276,987,511**	**(1,286,035,586)**	**(37,315,534)**	**(104,731)**	**4,127,254**	**957,658,914**

	December 31, 2017		December 31, 2017			
	LBP LPB'000	USD C/V in LBP LPB'000	EURO C/V in LBP LPB'000	GBP C/V in LBP LPB'000	Other Currencies C/V in LBP LPB'000	Total LPB'000
ASSETS						
Cash and deposits with central banks	2,869,616,794	1,090,788,832	499,609,844	126,155	7,833,248	4,467,974,873
Deposits with banks and financial institutions	2,633,465	507,015,543	9,299,038	43,335,109	38,501,186	600,784,341
Loans to banks and financial institutions	50,484,852	-	-	-	-	50,484,852
Loans and advances to customers	363,671,383	938,246,056	32,246,507	371,312	8,989	1,334,544,247
Loans and advances to related parties	6,243,114	62,239,578	1,711	-	-	68,484,403
Investment securities at fair value through profit or loss	788,088,249	8,233,945	-	-	-	796,322,194
Investment securities at amortized cost	1,157,398,624	1,448,566,584	110,975,288	-	-	2,716,940,496
Customers' liability under acceptances	-	24,127,152	13,363,101	-	1,175,608	38,665,861
Assets under leverage arrangement with the Central Bank of Lebanon	194,906,550	-	-	-	-	194,906,550
Assets acquired in satisfaction of loans	5,586,299	19,025,715	-	-	-	24,612,014
Property and equipment	40,965,383	11,862,615	56,102	-	994,232	53,878,332
Intangible assets	810,954	-	2,754	-	2,341	816,049
Other assets	7,506,016	1,242,236	139,339	-	267,444	9,155,035
Total Assets	**5,487,911,683**	**4,111,348,256**	**665,693,684**	**43,832,576**	**48,783,048**	**10,357,569,247**
LIABILITIES						
Deposits from banks and financial institutions	686,789	31,873,093	1,011,700	248,946	1,289	33,821,817
Customers' accounts	3,417,104,904	4,271,880,224	565,769,654	41,409,644	49,646,225	8,345,810,651
Related parties ' accounts	189,260,050	63,832,551	33,048,192	157,243	(1)	286,298,035
Liability under acceptance	-	24,127,152	13,363,101	-	1,175,608	38,665,861
Leverage arrangements with the Central Bank of Lebanon	194,906,550	-	-	-	-	194,906,550
Other borrowings	209,861,921	-	-	-	-	209,861,921
Other liabilities	227,692,451	25,370,664	1,660,436	34,881	563,829	255,322,261
Provisions	27,083,650	34,971,542	-	-	-	62,055,192
Subordinated bonds	-	60,560,199	-	-	-	60,560,199
Total Liabilities	**4,266,596,315**	**4,512,615,425**	**614,853,083**	**41,850,714**	**51,386,950**	**9,487,302,487**
Currencies to be delivered	-	69,720,357	8,490,973	-	10,332,569	88,543,899
Currencies to be received	-	(18,851,630)	(56,159,657)	(2,039,931)	(11,817,728)	(88,868,946)
	-	**50,868,727**	**(47,668,684)**	**(2,039,931)**	**(1,485,159)**	**(325,047)**
Net on-balance sheet financial position	**1,221,315,368**	**(452,135,896)**	**98,509,285**	**4,021,793**	**(1,118,743)**	**870,591,807**

44.COMPARATIVE BALANCES

Where necessary, comparative balances were reclassified to conform with current year presentation.

45. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table shows the carrying amounts and fair values of financial assets and liabilities recognized in the consolidated financial statements, including their levels in the fair value hierarchy. It does not include financial assets and financial liabilities which are not measured at fair value and where the directors consider that the carrying amounts of these financial assets and liabilities are reasonable approximations of their fair value:

	December 31, 2018		December 31, 2018			
	Notes	Carrying Amount LPB'000	Level 1 LPB'000	Level 2 LPB'000	Level 3 LPB'000	Total LPB'000
Financial assets measured at fair value						
Investment securities held at fair value through profit or loss						
Quoted equity securities	10	7,046,124	7,046,124	-	-	7,046,124
Unquoted equity securities	10	2,835,412	-	-	2,835,412	2,835,412
Lebanese Government bonds	10	130,665,761	-	130,665,761	-	130,665,761
Certificates of deposit issued by the Central Bank of Lebanon	10	102,929,667	-	102,929,667	-	102,929,667
		243,476,964	**7,046,124**	**233,595,428**	**2,835,412**	**243,476,964**
Financial assets not measured at fair value					-	
Term placements with Central Bank of Lebanon in Lebanese Pound	5	1,673,168,561	-	1,622,605,529	-	1,622,605,529
Term placements with Central Bank of Lebanon in Foreign currencies	5	1,671,039,426	-	1,670,814,972	-	1,670,814,972
Customers' loans and advances	8	1,244,244,328	-	1,244,244,328		1,244,244,328
Investment securities at amortized costs					-	
Lebanese treasury bills	11	386,785,947	-	341,626,202	-	341,626,202
Lebanese Government bonds	11	1,093,936,886	-	1,181,371,871	-	1,181,371,871
Certificates of deposit issued by Central Bank of Lebanon (in LBP)	11	2,126,891,708	-	1,689,063,084	-	1,689,063,084
Certificates of deposit issued by Central Bank of Lebanon (in Foreign Currencies)	11	656,719,597	-	821,041,785	-	821,041,785
		8,852,786,453	**-**	**8,570,767,771**		**8,570,767,771**

	December 31, 2017		December 31, 2017			
	Notes	Carrying Amount LPB'000	Level 1 LPB'000	Level 2 LPB'000	Level 3 LPB'000	Total LPB'000
Financial assets measured at fair value						
Investment securities held at fair value through profit or loss						
Quoted equity securities	10	5,026,271	5,026,271	-	-	5,026,271
Unquoted equity securities	10	3,008,151	-	-	3,008,151	3,008,151
Lebanese treasury bills	10	708,856,163	-	708,856,163	-	708,856,163
Lebanese Government bonds	10	376,930	-	376,930	-	376,930
Certificates of deposit issued by the Central Bank of Lebanon	10	63,797,216	-	63,797,216	-	63,797,216
		781,064,731	**5,026,271**	**773,030,309**	**3,008,151**	**781,064,731**
Financial assets not measured at fair value						
Term placements with Central Bank of Lebanon in Lebanese Pound	5	2,489,846,702	-	2,985,271,424	-	2,985,271,424
Term placements with Central Bank of Lebanon in Foreign currencies	5	1,507,110,703	-	1,400,093,245	-	1,400,093,245
Customers' loans and advances	8	1,333,796,197	-	1,333,796,197	-	1,333,796,197
Investment securities at amortized costs						
Lebanese treasury bills	11	322,244,580	-	342,715,494	-	342,715,494
Lebanese Government bonds	11	945,339,595	-	1,114,962,711	-	1,114,962,711
Certificates of deposit issued by Central Bank of Lebanon (in LBP)	11	702,994,522	-	716,460,555	-	716,460,555
Certificates of deposit issued by Central Bank of Lebanon (in Foreign Currencies)	11	681,739,014	-	946,025,213	-	946,025,213
Certificates of deposit issued by other banks	11	753,750	-	752,950	-	752,950
		7,983,825,063	**-**	**8,840,077,789**	**-**	**8,840,077,789**

There have been no transfers between Level 1, Level 2 and Level 3 during the period.

Valuation techniques, significant unobservable inputs, and sensitivity of the input to the fair value

The following table gives information about how the fair values of financial instruments included in the consolidated financial statements, are determined (Level 2 and Level 3 fair values) and significant unobservable inputs used:

Financial Instruments	Date of Valuation	Valuation Technique and Key Input	Significant Unobservable Inputs
Lebanese treasury bills	December 31, 2018 and 2017	DCF at a discount rate determined based on recent similar transactions performed by the group, adjusted for illiquidity using Group's internal policy.	Illiquidity factor for instruments of long term maturities
Certificates of deposit in LBP issued by Central Bank	December 31, 2018 and 2017	DCF at a discount rate determined based on recent similar transactions performed by the group, adjusted for illiquidity using Group's internal policy.	Illiquidity factor for instruments of long term maturities
Certificates of deposit in foreign currencies issued by Central Bank	December 31, 2018 and 2017	Available Bloomberg prices adjusted for illiquidity using Group's internal policy.	Illiquidity factor for instruments of long term maturities
Lebanese Government bonds	December 31, 2018 and 2017	Available Bloomberg prices adjusted for illiquidity using Group's internal policy.	Illiquidity factor for instruments of long term maturities
Term deposit with Central Bank of Lebanon in Lebanese Pounds	December 31, 2018 and 2017	DCF at a discount rate determined based on the yield curve applicable to Lebanese treasury bills, adjusted for illiquidity.	N/A
Term deposits with Central Bank of Lebanon in foreign currency	December 31, 2018 and 2017	DCF at a discount rate determined based on the yield on USA treasury bills and the Credit Default Swap applicable to Lebanon subject to illiquidity factor.	N/A
Loans and advances to customers	December 31, 2018 and 2017	DCF at discount rates based on average rate of return of the receivables bearing fixed interest rate for more than one year.	N/A

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2018 were approved for issuance by the Board of Directors in its meeting held on June 3, 2019.

BRANCHES

"Evolution is a process of constant branching and expansion."

Stephen Jay Gould

CURRENT GEOGRAPHICAL REPRESENTATION OF IBL

LEBANON

IBL Bank has developed twenty local operational branches since the opening of its Head Office in Achrafieh. Eight of those branches are located in the Greater Beirut area. The remaining branches are distributed as follows: Four in the North of Lebanon, two in the South of Lebanon, Five in the Mount Lebanon area, and one in the Bekaa region.

In its early years, the Bank greatly expanded its network by launching nine new branches, seven of which were a result of the acquisition of BCP Oriel Bank in 1999. Further developments occurred in later years. In 2002, a branch was opened in Kobayat (North Lebanon). Additionally, in 2004, a branch was opened in Tyr (South Lebanon) and another in Chtaura (Bekaa region). In 2005, a branch was initiated in Hazmieh (Baabda region).

To ensure a stronger presence on Lebanese territory, the Bank further expanded in 2008 by instigating the Verdun (Beirut) and Antelias (Mount Lebanon) branches. Moreover, in 2009, a new branch was inaugurated in Elissar (Mount Lebanon). In 2011, two branches were instated – one in each of Balamand (North Lebanon) and Byblos (Mount Lebanon). Finally, two additional branches were established in the Greater Beirut area: one in Jnah, opened in 2012, and the other in Sioufi, which became operational in the final quarter of 2014.

In July 2019, IBL Bank inaugurated its new branch in Sin El Fil so that the number of local branches became 21 branches.

In addition to its vast network of branches, a sister bank, IBL Invest, was initiated in Verdun, Beirut, in 2011.

Moreover, new premises for branches are scheduled to be inaugurated throughout the outcoming year.

ABROAD – IRAQ AND CYPRUS

Following the satisfactory results that ensued from the opening of a representative office in Erbil, a city in the Kurdistan region of northern Iraq in 2006, the Board of Directors came to a decision to leverage the Bank's first mover advantage in Iraq. The representative office was promoted to a fully functioning branch that began operating in 2008. In 2010 and 2014, the Bank further developed its presence in Iraq by building an additional branch in each of Baghdad and Basra, respectively.

The success resulting from its ventures abroad led the Bank to move towards expanding in a new area: Europe. In 2007, the Bank obtained a license from the Central Bank of Cyprus to operate in Limassol, Cyprus. A branch was subsequently instigated on Makarios III Avenue, Limassol, and became operational in 2008.

To conclude, the Bank primarily sees its branches abroad as a means to diversify its stream of deposits, investments, and revenues. As part of its future expansion goals, the Bank aims to attract deposits and new business through the large and wealthy Lebanese and Arab communities in the Latin American, European, and Arab regions.

BRANCHES NETWORK

Headquarters

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Swift code : INLELBBE | E-mail : ibl@ibl.com.lb | Domain: www.ibl.com.lb

Branches In Lebanon

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Phone: (01) 200350 - 334102 | Fax: (01) 204524
Manager: Mr. Béchara Mattar

ASHRAFIEH - SIOUFI
St. Georges Residences, Achrafieh-Sioufi. PO Box 11-5292 - Beirut
Phone: (01) 322170 | Fax: (01) 322173
Manager: Mr. Ara Boghossian

HAMRA
Maamari Sourati Street, P.O. Box 113-6553 - Hamra
Phone (01) 743006 / 7 - 347822/3 | Fax: (01) 350608
Manager: Mr. Omar Hammoud

MOUSSAITBEH
Mar Elias Street, New Center, P.O.Box 11 - 5292 - Beirut
Phone: (01) 303005 - 313414 | Fax: (01) 304727
Manager: Mr. Mohamad Osseiran

DORA
Dora Blvd, Ghantous Bldg, 5th Floor P.O.Box 90263 - Dora
Phone: (01) 260556 - 260530 / 5 | Fax: (01) 255111
Manager: Mr. Ayad Boustany

BAUCHRIEH
St. Joseph Hospital Street, Bakhos Bldg, P.O.Box 11-5292 - Beirut
Phone: (01) 249031 - 248990 | Fax: (01) 249031
Head of Branch: Mrs. Samar Kfoury

VERDUN
Al Madina Tower, Rachid Karame Street, P.O.Box 11-5292 - Beirut
Phone: (01) 797321 / 2 / 3 | Fax: (01) 797324
Manager: Mr. Abdel Rahman Zeidan

JNAH
Adnan Al Hakim Street, Near Monoprix, Al Rawan Bldg, GF floor, PO Box 11-5292 - Beirut
Phone: (01) 843442 | Fax: (01) 843449
Manager: Mr. Jules Haidar

HAZMIEH
International Road, Beirut Direction, P.O.Box 11 - 5292 - Beirut
Phone: (05) 952801/2/3 | Fax: (05) 952804
Manager: Mr. Charbel Helou

SIN EL FIL (New branch opened on July 15, 2019)
Horch Tabet Area – Near Habtour Center, General Charles de Gaulle Street, CET s.a.l. Building
Phone: (01) 500061 | Fax: (01) 500061
Manager: Mrs. Christine Bou Eid Jaber

ANTELIAS
Bouldoukian, Garden Tower Bldg, P.O.Box 11-5292 - Beirut
Phone: (04) 406916 - 406993 | Fax: (01) 406988
Manager: Mr. Fady Nader

ELYSSAR
Mazraat Yashou, Main Road, Ziad Yashoui Bldg, P.O. Box 11-5292 - Beirut
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Manager: Mr. Jean-Pierre Abi Doumeth

BATROUN
Main Street, Zakaria Bldg, P.O.Box 11-5292 - Beirut
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Manager: Mr. Kisra Bassil

JOUNIEH
Serail Street, Bechara Menassa Bldg., P.O.Box : 1820 - Jounieh
Phone & Fax : (09) 915715 - 918438
Manager: Mr. Rachad Yaghi

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Phone: (07) 723909 - 725701 | Fax: (07) 732273
Manager: Mrs. Mona El Kotob

TYRE
Boulevard Maritime, P.O.Box 11 - 5292 - Beirut
Phone: (07) 346811/13 | Fax: (07) 346804
Manager: Mr. Rami Chehouri

TRIPOLI
Boulevard Street, Islamic Hospital Bldg, P.O.Box: 240 - Tripoli
Phone: (06) 440450 - 628228/9 | Fax: (06) 628229
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Manager: Mr. Iskandar Joanny

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Balamand Main Street, Al Kourah, P.O.Box 11-5292 - Beirut
Phone: (06) 933041 | Fax: (06) 933038
Manager: Mr. Walid Salem

JBEIL
Voie Romaine, Al Ittihadiah Bldg, P.O.Box 11-5292 - Beirut
Phone: (09) 543992 | Fax: (09) 543994
Manager: Mr. Rabih Abi Ghosn

Branches Abroad

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Phone: +964 66 2100100 | Direct: +964 66 2561512 | Mobile: +964 770 772 4442
Fax: +964 66 2101275 | Email: infoerbil@ibl.com.lb | Swift: INLELBBE
Manager: Mrs. Ishtar Zulfa

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Al Karada, Babel District No 929, Street No 18, Building No 24, Baghdad - Iraq
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Manager: Mr. Georges Abillama

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El Abbas district, Palestine street known as Al Saidy street, Basra - Iraq
Phone: +78 9287177/8 | Swift: INLELBBE
Email: infobasra@ibl.com.lb | www.ibl.com.lb
Manager: Mr. Ramzi Chehwan

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Swift: INLECY2L
Manager: Mrs Ghada Christofides

IBL Investment Bank Sal

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Assistant General Manager: Mr. Rodolphe Atallah