NATIONAL BANK OF KUWAIT (LEBANON) SAL

FINANCIAL STATEMENTS

31 DECEMBER 2025

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Ernst & Young p.c.c.
Starco Building
South Block B - 9th Floor
Mina El Hosn, Omar Daouk Street
P.O. Box: 11-1639, Riad El Solh
Beirut - 1107 2090, Lebanon

Tel: +961 1 760 800
Fax: +961 1 372 981
beirut@lb.ey.com
ey.com/mena

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONAL BANK OF KUWAIT (LEBANON) SAL

Adverse opinion

We have audited the financial statements of National Bank of Kuwait (Lebanon) SAL (the "Bank"), which comprise the statement of financial position as at 31 December 2025, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, because of the significance of the matters discussed in the *"Basis for adverse opinion"* section of our report, the accompanying financial statements do not present fairly, the financial position of the Bank as at 31 December 2025, its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standard Board (IASB).

Basis for adverse opinion

1- As disclosed in Note 2.1 to the financial statements, the Bank did not apply the requirements of IAS 29 – Financial Reporting in Hyperinflationary Economies (IAS 29) in the financial statements from and for the years from which the Republic of Lebanon has been designated as a hyperinflationary economy, including the current year ended 31 December 2025, nor did the Bank consider its effects on forecasts and discount rates used in accounting estimates. In addition, as disclosed in Note 15, the Bank determined the carrying amount of lands and buildings in Lebanon based on a valuation performed by an accredited external independent valuer in US Dollars and then translated it to the Lebanese Lira at the rate of LBP 89,500 as required by Law 330 dated 4 December 2024 and Ministry of Finance decision 715 dated 1 August 2025. The gain from revaluation amounting to LL 417,155 million was recognized in other comprehensive income for the year ended 31 December 2025. In accordance with IAS 29, for lands and real estate, the nominal amount should be restated from the date of the previous valuation by applying the general price index and then compared to the appraised amount with the difference treated as required by IAS 16 - Property, Plant and Equipment ("IAS 16"). In addition, due to the lack of information and visibility on the impact of the current macroeconomic crisis in Lebanon, we were unable to satisfy ourselves on the adequacy of the appraised amount. Had the Bank applied the requirements of IAS 29 and considered its effects on accounting estimates, many elements and disclosures in the financial statements, including the comparative financial information, would have been materially different. The effects on the financial statements arising from these departures have not been determined. Our opinion for the year ended 31 December 2024 was modified for same reasons.

2- As disclosed in Note 1 to the financial statements, the Bank had used the official published exchange rates for the translation of its monetary assets and liabilities denominated in foreign currencies and all transactions in foreign currencies during 2021, 2022 and 2023, instead of using the rates at which the future cash flows could have been settled as required by IAS 21 – The Effects of Changes in Foreign Exchange Rates, when several exchange rates are available. As disclosed in Note 1 to the financial statements, from January 2024, the official published exchange rate was set at LL 89,500 to the US Dollar. The Bank recorded the impact of the change in exchange rates used, in the statement of income statement for the year ended 31 December 2024 under "Net gain from foreign exchange". The Bank did not restate comparative amounts which is a departure from IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8"). This caused us to qualify our opinion because of the departure from IAS 21 and IAS 8 in prior years. Our opinion on current period's financial statements is also modified because of the effects of these matters on the comparability of the current period's figures and the corresponding figures.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONAL BANK OF KUWAIT (LEBANON) SAL (continued)

Basis for adverse opinion (continued)

With respect to foreign currencies subject to de-facto capital controls, we were unable to conclude whether this exchange rate is that at which the future cash flows could have been settled if those cash flows had occurred at the measurement date. Had we been able to conclude on the appropriate exchange rate to be used on foreign currencies subject to de-facto capital controls, adjustments might have been necessary to the financial statements (including comparative information). Our opinion for the year ended 31 December 2024 was modified for the same reasons.

3- As at 31 December 2025, the Bank holds assets with the Central Bank of Lebanon amounting to LL 7,618,265 million stated net of allowance for expected credit losses of LL 146,101 million (2024: LL 7,575,637 million stated net of allowance for expected credit losses of LL 147,314 million) as disclosed in Note 9 and a portfolio of Lebanese government Eurobonds amounting to LL 671,196 million stated net of allowance for expected credit losses of LL 1,208,304 million (2024: LL 872,571 million stated net of allowance for expected credit losses of LL 1,006,929 million) as disclosed in Note 13 and a portfolio of loans amounting to LL 215,407 million stated net of allowance for expected credit losses of LL 35,453 million (2024: LL 306,660 million stated net of allowance for expected credit losses of LL 66,159) which represent 51.09% of the Bank's total assets as at 31 December 2025 (2024: 58.69%).

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

Also, as disclosed in Note 27, management did not produce information about the fair value of these assets and other financial assets and liabilities concentrated in Lebanon and these financial statements consequently do not include the fair value disclosures required by IFRS 13 – Fair Value Measurement.

Had such adjustments and disclosures been determined and made, many elements and related disclosures in the accompanying financial statements as at 31 December 2025 and 2024 would have been materially different. The effects of the resolution of these uncertainties on the financial statements have not been determined. Our opinion for the year ended 31 December 2024 was modified for same reasons.

4- The Bank did not provide for current income tax during the year ended 31 December 2023, measured by management at LL 79,321 million, which is not in accordance with the requirements of IAS 12 – Income Taxes. During 2024, as disclosed in Note 22, the Bank appropriated the income tax expense related to the year ended 31 December 2023 from retained earnings which is not in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8"). Our opinion on the financial statements for the year ended 31 December 2024 was modified accordingly. Our opinion on current year's financial statements is also modified because of the effects of this matter on the comparability of the current year's figures and the corresponding figures.

5- As at 31 December 2025, provision for retirement benefits obligation of employees in Lebanon is carried in the statement of financial position at LL 254,726 million (2024: LL 285,589 million). The Bank did not estimate the provision for retirement benefits obligations in accordance with IAS 19 - Employee Benefits. Consequently, we were unable to determine whether any adjustments to these amounts, and related income statement accounts were necessary.

Basis for adverse opinion (continued)

6- The events and conditions in Note 1 and the matters described in paragraphs 1, 2 and 3 above, affect the financial position, liquidity, solvency and profitability of the Bank, expose the Bank to increased litigation and regulatory risks and represent events and conditions that may cast significant doubt on the Bank's ability to continue as a going concern. We were unable to obtain sufficient appropriate audit evidence about the Bank's ability to continue as a going concern. Our opinion for the year ended 31 December 2024 was modified for same reasons.

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 Bank in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Lebanon, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the year ended 31 December 2025. Except for the matters described in the *"Basis for adverse opinion"* section, we have determined that there are no other key audit matters to communicate in our report.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONAL BANK OF KUWAIT (LEBANON) SAL (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Ernst & Young

Ernst & Young

25 May 2026
Beirut, Lebanon

INCOME STATEMENT
For the year ended 31 December 2025

	Notes	***2025*** ***LL million***	*2024* *LL million*
Interest and similar income	3	**289,153**	307,903
Interest and similar expense	4	**(10,382)**	(1,597)
NET INTEREST INCOME		**278,771**	306,306
Fee and commission income		**132,303**	113,161
Fee and commission expenses		**(18,678)**	(16,538)
NET FEE AND COMMISSION INCOME	5	**113,625**	96,623
Net gain from foreign exchange		**5,705**	2,617,509
Other operating income		**920**	2,428
TOTAL OPERATING INCOME		**399,021**	3,022,866
Impairment loss on financial assets, net	26	**(170,269)**	(45,924)
NET OPERATING INCOME		**228,752**	2,976,942
Personnel expenses	6	**(503,513)**	(647,407)
Administrative and other operating expenses	7	**(185,299)**	(140,709)
Depreciation of property and equipment	14	**(18,433)**	(12,385)
TOTAL OPERATING EXPENSES		**(707,245)**	(800,501)
(LOSS) PROFIT BEFORE TAX		**(478,492)**	2,176,441
Income tax expense	8	-	-
NET (LOSS) PROFIT FOR THE YEAR		**(478,492)**	2,176,441

The attached notes 1 to 31 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	***2025*** ***LL million***	*2024* *LL million*
NET (LOSS) PROFIT FOR THE YEAR		**(478,492)**	2,176,441
Other comprehensive income not to be reclassified to income statement in subsequent periods:			
Revaluation of lands and buildings:			
Revaluation gain	14	**417,155**	-
Total other comprehensive income		**417,155**	-
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		**(61,337)**	2,176,441

STATEMENT OF FINANCIAL POSITION
At 31 December 2025

	Notes	2025 LL million	2024 LL million
ASSETS			
Cash and balances with the Central Bank of Lebanon	9	**7,836,576**	7,870,953
Due from banks and financial institutions	10	**3,200,958**	1,200,766
Due from head office, branches and affiliates	11	**3,577,192**	3,945,532
Loans and advances to customers at amortized cost	12	**324,731**	415,684
Loans and advances to related parties at amortized cost	23	-	785
Financial assets at amortized cost	13	**851,563**	1,052,326
Property and equipment	14	**820,612**	396,108
Other assets	15	**34,171**	34,372
TOTAL ASSETS		**16,645,803**	14,916,526
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to head office, branches and affiliates	11	**2,145**	2,521
Due to banks and financial institutions	16	**224,221**	-
Customers' deposits at amortized cost	17	**12,754,716**	11,162,126
Related parties' deposits at amortized cost	23	**180,130**	185,535
Other liabilities	18	**267,066**	256,619
Provisions for risks and charges	19	**264,170**	295,033
TOTAL LIABILITIES		**13,692,448**	11,901,834
SHAREHOLDERS' EQUITY			
Share capital – common shares	20	**40,020**	40,020
Cash contribution by a shareholder	20	**17,819**	17,819
Non-distributable reserves (legal and obligatory)	21	**264,333**	46,689
Distributable reserves	21	**2,318,434**	359,637
Revaluation reserve of lands and buildings	14	**791,241**	374,086
Net results of the financial year – profit		**(478,492)**	2,176,441
TOTAL SHAREHOLDERS' EQUITY		**2,953,355**	3,014,692
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**16,645,803**	14,916,526

The financial statements were authorized for issuance by the Board of Directors on 25/5/2026 by:

Habib Karabet
General Manager

The attached notes 1 to 31 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

			Non-distributable reserves (legal and obligatory)				*Distributable free reserve*				
	Share capital – common shares LL million	*Cash contribution by a shareholder LL million*	*Statutory reserve LL million*	*Reserve for capital increase LL million*	*General reserve LL million*	*Total LL million*	*General reserve LL million*	*Accumulated losses LL million*	*Revaluation reserve of lands and buildings LL million*	*Net results of the financial year LL million*	*Total LL million*
Balance at 1 January 2024	40,020	17,819	5,083	3,419	2,041	10,543	34,328	(40,248)	374,086	481,022	917,570
Net profit for the year – 2024	-	-	-	-	-	-	-	-	-	2,176,441	2,176,441
Other comprehensive income for the year - 2024	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year - 2024	-	-	-	-	-	-	-	-	-	2,176,441	2,176,441
Appropriation of 2023 profit (Note 21)	-	-	36,146	-	-	36,146	325,309	119,567	-	(481,022)	-
Other movements (Note 21)	-	-	-	-	-	-	-	(79,319)	-	-	(79,319)
Balance at 31 December 2024	40,020	17,819	41,229	3,419	2,041	46,689	359,637	-	374,086	2,176,441	3,014,692
Net loss for the year – 2025	-	-	-	-	-	-	-	-	-	(478,492)	(478,492)
Other comprehensive income for the year - 2025	-	-	-	-	-	-	-	-	417,155	-	417,155
Total comprehensive loss for the year - 2025	-	-	-	-	-	-	-	-	417,155	(478,492)	(61,337)
Appropriation of 2024 profit (Note 21)	-	-	217,644	-	-	217,644	1,958,797	-	-	(2,176,441)	-
Balance at 31 December 2025	**40,020**	**17,819**	**258,873**	**3,419**	**2,041**	**264,333**	**2,318,434**	**-**	**791,241**	**(478,492)**	**2,953,355**

STATEMENT OF CASH FLOWS
For the year ended 31 December 2025

	Notes	**2025** **LL million**	2024 LL million
OPERATING ACTIVITIES			
Net (loss) profit before income tax		**(478,492)**	2,176,441
Adjustments for:			
Depreciation of property and equipment	14	**18,433**	12,385
Provision for retirement benefits obligation	19	**44,675**	249,585
Impairment loss on financial assets, net	26	**170,269**	45,924
Difference of exchange		**-**	(2,681,755)
		(245,115)	(197,420)
Working capital changes:			
Cash and balances with the Central Bank – Maturities of more than 3 months		**-**	15,000
Due from head office, branches and affiliates		**(44,750)**	-
Financial assets at amortized cost		**(612)**	(3,493)
Loans and advances to customers at amortized cost		**123,519**	70,150
Loans and advances to related parties at amortized cost		**785**	(777)
Other assets		**204**	(31,396)
Customers' deposits at amortized cost		**1,592,590**	(737,067)
Related parties' deposits at amortized cost		**(5,405)**	160,257
Other liabilities		**10,443**	239,981
Cash from (used in) operations		**1,431,659**	(484,765)
Taxes paid		**-**	(79,320)
Provisions for risks and charges paid	19	**(75,538)**	(15,143)
Net cash from (used in) operating activities		**1,356,121**	(579,228)
INVESTING ACTIVITIES			
Purchase of property and equipment	14	**(25,781)**	(3,075)
Net cash used in investing activities		**(25,781)**	(3,075)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,330,340**	(582,303)
Difference of exchange on cash and cash equivalents		**-**	11,420,874
Cash and cash equivalents at 1 January		**13,169,772**	2,331,201
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	22	**14,500,112**	13,169,772
OPERATING CASH FLOWS			
Interest received		**289,153**	307,903
Interest paid		**10,382**	1,597

The attached notes 1 to 31 form part of these financial statements.

1 CORPORATE INFORMATION

National Bank of Kuwait (Lebanon) SAL (the "Bank") is a shareholding company registered in Beirut, Lebanon. It was registered during 1963 under the name of RIF Bank SAL under commercial registration number 13188 and number 73 on the list of banks published by the Central Bank of Lebanon. In 1996, the name of the Bank was changed to National Bank of Kuwait (Lebanon) SAL. The Bank provides a full range of commercial banking activities. Its main branch is at Sanayeh and it operates through two branches.

National Bank of Kuwait S.A.K. owns directly and indirectly 72.66% of the Bank's shares. The main address of National Bank of Kuwait S.A.K. is P.O.Box 95 Safat 13001, Kuwait.

1.1 Macroeconomic environment

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

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

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

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

International Monetary Fund
The Lebanese authorities and the IMF team have reached a staff-level agreement (SLA) on comprehensive economic policies that could be supported by a 46-month Extended Fund Arrangement (EFF) with requested access of SDR 2,173.9 million (equivalent to about USD 3 billion). This agreement is subject to approval by IMF Management and the Executive Board, after the timely implementation of all prior actions and confirmation of international partners' financial support. The Lebanese Government has renewed negotiations with the IMF post Cabinet formation this year to reach a new SLA with prior actions to be undertaken by Lebanon before a Board agreement could be reached. In a statement in September, the IMF said that the authorities have made progress in developing a strategy to address the severe banking sector challenges. The recent approval of the Bank Resolution Law reflects the dedicated efforts of all stakeholders, though the legislation needs further refinement. The IMF team has suggested amendments to fully align it with international standards and ensure the effectiveness of bank restructuring processes. The IMF believes the authorities should continue working to develop the strategy to recognize and allocate losses and restore the viability of the banking sector consistent with international standards, protection of small depositors, and sustainability of public debt.

1 CORPORATE INFORMATION (continued)

1.1 Macroeconomic Environment (continued)

Banking Secrecy Bill
Lebanese MPs approved on 24 April 2025 a long-awaited bill lifting banking secrecy, a key reform on which financial assistance from the International Monetary Fund (IMF) is dependent. Parliament specified that the new banking secrecy law applies retroactively for 10 years, covering the start of the economic crisis. Lebanon has long-standing and strict rules on the confidentiality of bank accounts, which critics say leaves the country vulnerable to money laundering. The amendments authorize “banking supervisory and regulatory bodies to request access to all information” without providing any details and. These bodies will be able to access information such as customer names and deposit details, and investigate any suspicious activities.

Amendments to the Code of Money and Credit:
The Lebanese Parliament has recently passed amendments to Decree No.13513 named The Code of Money and Credit. The amendments targeted Section 2-7 of the law, which tackles money creation and the values of issued currency. Within the amendment, the Lebanese Parliament has afforded Banque du Liban (BDL) the right to issue two new banknotes with a value of LBP 500,000 and LBP 1,000,000 while also aiming to preserve the current value of currency in circulation. This move comes amid the devaluation of the Lebanese currency by more than 98% since the onset of the crisis in 2019.

Banking Restructuring
On 12 April 2025, the Cabinet approved the draft banking reform law which is yet to be approved by the Parliament. Its implementation is contingent on the passage of the financial gap law, highlighting the interdependence of the three core reforms: lifting banking secrecy, restructuring banks, and closing the financial gap. It was ratified by Parliament on 31 July 2025.

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

On April 22, 2026, the Ministry of Finance submitted to the Council of Ministers a proposal to withdraw the draft law previously referred to Parliament under Decree No. 1992 dated 4 December 2025. Said draft law aimed at introducing amendments to selected provisions of Law No. 23 of 14 August 2025 concerning the reform and restructuring of banks in Lebanon. The proposal came in response to the Constitutional Council’s decision issued on October 3, 2025, as well as to observations and recommendations communicated by the International Monetary Fund (IMF). Concurrently, the Ministry requested the approval of a newly revised draft law amending Law No. 23/2025. Consequently, on 30 April 2026, the Council of Ministers endorsed a decree formally withdrawing the earlier draft law submitted to Parliament pursuant to Decree No. 1992. It also approved a revised amendment bill reflecting several remarks raised by both the Constitutional Council and the IMF, together with a draft decree providing for the transmission of the updated text to Parliament.

The Ministry of Finance further stated that on 5 September 2025, a group of Members of Parliament filed an appeal before the Constitutional Council challenging a number of provisions contained in the law. Following its review of the appeal, the Constitutional Council rendered its decision in October 2025. The Ministry also noted that the IMF viewed Law No. 23, enacted by the Lebanese Parliament on 31 July 2025, as falling short of alignment with internationally recognized standards and practices. In the IMF’s assessment, the law contains several structural weaknesses, notably with respect to the independence of the Resolution Authority, the autonomy and reliability of valuation mechanisms, the enforceability of resolution measures, and the legal protections afforded to entities responsible for implementing such measures. Additional technical shortcomings were also identified, which, according to the IMF, collectively undermine the legal robustness and operational efficiency of the framework. Law No. 23, promulgated on 31 July 2025, establishes the legal framework governing the restructuring and resolution of the Lebanese banking sector and comprises 37 articles addressing the mechanisms for restructuring and/or liquidating banks.

1 CORPORATE INFORMATION (continued)

1.1 Macroeconomic Environment (continued)

Financial Gap Law in preparation
The banking restructuring challenge revolves around whether the State would be able to implement a gap law within the upcoming months, prior to the parliamentary elections in May 2026, after which the Cabinet will turn into Caretaker Cabinet until the formation of a new Cabinet. The Gap Law will overview the treatment of Lollar and Dollar deposits in the banking sector. Such a gap law is the most important one to normalize banking activity and move out of troubled waters.
It focuses on:

- Defining the financial gap,
- Identifying irregular transactions/assets,
- Determining how losses are absorbed,
- Setting rules for deposit settlement,
- And creating a Deposit Recovery Fund backed by Asset Backed Securities (ABS)

On 27 December 2025, the Cabinet approved the draft Financial Regularisation and Deposit-Recovery law and transmitted it to Parliament.

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

1.2 Regulatory environment

During 2020 and up to the date of approval of the financial statements, The Central Bank of Lebanon has issued several circulars to address the situations, mainly:

- Basic Circular 150 issued on 9 April 2020 and exempting banks from placing mandatory reserves with the Central Bank of Lebanon in relation to funds transferred from abroad or cash deposits in foreign currency received after 9 April 2020, subject to preserving and guaranteeing the liberty of the depositors in determining the use of these funds and benefiting from all kinds of banking services (transfers abroad, international credit card limits, foreign currency cash withdrawals…). Banks are requested to maintain at all times an amount equivalent to those funds in the form of (i) cash held in vaults at the Bank's premises, (ii) offshore accounts held with correspondents and (iii) "cash money" accounts held with BDL as per Basic Circular 165 definition. Intermediate Circular 715 issued on 21 November 2024 expanded the scope to include sovereign debts instruments issued by G10 countries and debt instruments rated "BBB" and above on the condition they are held at fair value.

- Intermediate Circular 567 issued on 26 August 2020 (amending Basic Circular 23, 44 and 78), which partly altered the directives for the determination of expected credit losses and regulatory capital calculation and ratios, previously set in its Intermediate Circular 543 issued on 3 February 2020. Loss rate applied for the calculation of regulatory expected credit losses on exposures to Lebanese sovereign bonds in foreign currencies was increased from 9.45% to 45%, (later on increased again to 75% by Intermediate Circular 649) while loss rates applied for the calculation of regulatory expected credit losses on exposures to Lebanese sovereign bonds in local currency, exposures to the Central Bank of Lebanon in foreign currencies and exposures to the Central Bank of Lebanon in local currency remained the same (0%, 1.89% and 0% respectively).
  - Allowing banks to constitute the expected credit losses on exposures to Lebanese sovereign and the Central Bank of Lebanon, progressively over a period of five years, noting that the Central Bank of Lebanon's Central Council may accept to extend the term to 10 years for banks that manage to complete the 20% cash contribution to capital requirement. Intermediate Circular 649 issued on 24 November 2022 replaced the aforementioned five years and ten years deadline by the fixed dates of 31 December 2026 and 31 December 2029 respectively.
  - Allowing banks not to automatically downgrade loan classification or staging for borrowers that were negatively affected by the COVID-19 pandemic, showing past due and unpaid for the period from 1 February 2020 to 31 December 2020. These borrowers must be identified as either still operating on a going concern basis or not. In case the borrower is still operating as a going concern, the Bank may reschedule the loan. In exceptional cases when the borrower ceases to operate as a going concern following the impact of the COVID-19 pandemic, the Bank must immediately downgrade the loan classification and staging to Stage 3 (default).

1 CORPORATE INFORMATION (continued)

1.2 Regulatory environment (continued)

- Requesting from banks to finalise the assessment of the future financial position of their customers by 31 December 2020, and to estimate expected credit losses based on this assessment and recognise the financial impact in the statement of income for the year ended 31 December 2020.
- Prohibiting banks from distributing dividends on common shares for the years 2019 and 2020 (Years 2021, 2022, 2023, 2024 and 2025 were subsequently added by way of Intermediate Circulars 616, 659, and 676, 726 and 741 respectively).
- Requesting from banks to increase their own funds (equity) by an amount equal to 20% of their common equity Tier 1 capital as of 31 December 2018, through issuing new foreign currency capital instruments that meet the criteria for inclusion as regulatory capital, except retained earnings and gain from revaluation of fixed assets. The Central Bank of Lebanon's Central Council may exceptionally approve for a bank to complete 50% of the 20% required capital increase through the transfer of real estate properties from the shareholders to the concerned bank. However, these real estate properties must be liquidated in a period of 5 years following the operation.
- Changing the treatment of revaluation of fixed assets reserve for regulatory capital calculation, to become allowed for inclusion as Common Equity Tier 1 (previously 50% of this reserve was allowed for inclusion as Tier 2), subject to approval of the Central Bank of Lebanon on the revaluation gain. On 20 January 2023, Intermediate Circular 659 capped the inclusion of revaluation of fixed assets at 50% under certain conditions while allowing the use of the prevailing Sayrafa rate at the end of each reporting period over 5 years. Besides, it widened the scope of revaluation to include participations and long-term loans to affiliated banks and financial institutions. Intermediate Circular 685 issued on 28 December 2023 increased the contribution of this revaluation to Common Equity Tier 1 from 50% to 75%. Intermediate Circular 741 issued on 10 September allows banks to annually revalue real estate assets owned directly or through real estate companies until 31 December 2026 under Article 153 of the Code of Money and Credit and allows inclusion of 75% of revaluation gains in Tier 1 capital subject to Central Bank verification and completion by 31 December 2026. Revaluation must be in fresh USD and recorded in LBP at specified rates (LL 1,507.5 to the US Dollar until 31 January 2023; LL 15,000 to the US Dollar until 31 January 2024; LL 89,500 to the US Dollar until 31 May 2025; and at the official platform rate from 1 June 2025 onward). Similar provisions apply to fixed assets acquired through debt settlement under Article 154 with the same conditions and deadlines.
- Banks must comply with the minimum capital adequacy ratios and are forbidden from distributing profits if these ratios drop below 7% for common equity Tier 1, 10% for Tier 1 and 12% for total capital. Banks must maintain a capital conservation buffer of 2.5%, comprised of Common Equity Tier 1. After allowing banks to draw down the buffer fully during 2020 and 2021, a partial drawn up to 1.75% in 2022, latest regulatory changes allowed a full draw down of the 2.5% buffer during years 2023, 2024, 2025, and 2026. Central Bank of Lebanon will issue future instructions for reconstitution of capital.
- Intermediate Circular 740 issued on 29 August 2025 temporarily allows banks to reduce the "Capital Conservation Buffer" below the required 2.5% for the years 2023–2025, with gradual restoration per future BDL instructions extended for year 2026 by Intermediate Circular 760 issued on 4 May 2026.
- Preparing and presenting to the Central Bank of Lebanon a comprehensive plan for rectifying non-compliances with regulatory capital requirements and other regulations imposed by the Central Bank of Lebanon, taking into consideration all required provisions by the Banking Control Commission of Lebanon (BCCL), as well as other losses or provisions that the Bank expects to incur from all kinds of exposures to risks, and specifying the period of time needed to address the non-compliances.
- Exceptionally for the years 2020 and 2021, Allowances for Expected Credit Losses on Stage 1 and 2 exposures, excluding those relating to Lebanese sovereign and the Central Bank of Lebanon, may be included under regulatory Common Equity Tier 1. This treatment will be amortised over a period of 3 years (2022-2024 by 25% yearly).

- Basic Circular 154 issued on 27 August 2020 and aiming mainly at restoring the operations of banks in Lebanon to their normal levels as at before October 2019 and rectifying any non-compliance with regulatory ratios and banking regulations. The circular mainly introduced the following measures:
  - Requesting banks to present a fair assessment of the value of their assets and liabilities for the purpose of putting in place the comprehensive plan referred to in Intermediate Circular 567 (refer to above), in order to be able, within a period limited in time, to comply with the regulatory and banking requirements, mainly those related to liquidity and solvency, and in order to restore the operations of the Bank to their normal levels as at before October 2019.

1 CORPORATE INFORMATION (continued)

1.2 Regulatory environment (continued)

- Requesting banks to incite each customer who has transferred abroad, between 1 July 2017 and the date of the circular, more than US$ 500,000 or their equivalent in other foreign currencies, to deposit in a 5-year term “special account” an amount equal to 15% to 30% (depending on the type of customer) of the transferred amount. Banks shall use this type of deposits to facilitate foreign operations that stimulate the national economy. This is also applicable for the banks’ importing customers, based on opened letters of credits during any of the years 2017, 2018 and 2019, and without a minimum threshold.

- Requesting from banks to maintain a current account with a foreign correspondent bank offshore, free of any obligations (cash on premises and liquidity abroad). Such accounts shall be at no time less than 3% of the Bank's total foreign currency deposits as at 31 July 2020, by 28 February 2021. This requirement was subject to several amendments; the latest (Intermediate Circular 707) considered foreign currency deposits as at 31 July 2024 as the basis for the computation instead of 31 July 2020, thus lowering liquidity required levels as customers' deposits decreased over the period. Besides, it extended the date to comply to be 31 December 2025 instead of 28 February 2021. Also it added to the numerator Lebanese sovereign Eurobonds as well as US Treasury and Investment grade foreign debt instruments on the condition they are held at fair value. Intermediate Circular 716 issued on 21 November 2024 expanded again the scope to include sovereign debts instruments issued by G10 countries and debt instruments rated "BBB" and above held at fair value.
- Requesting from banks, after taking consideration of their fair assessment of their financial position, to present a plan during the first quarter of 2021, to address recapitalisation needs, if any, to the Central Bank of Lebanon’s Central Council, for its approval. Banks shall take the necessary legal and regulatory measures in order to facilitate the consensual possibility for their depositors to transfer their deposits to shares or bonds. Bank shares will be exclusively listed in Beirut. Banks can pay interest on the bonds that exceed current levels.

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

- Basic Circular 158 issued on 8 June 2021 and defining the mechanism for the gradual settlement of foreign currency deposits up to an amount equivalent to US$ 50,000. To benefit from the provisions of the said circular, certain eligibility criteria must be met.

  Eligible funds will be transferred to a subaccount over which banking secrecy will be lifted vis-à-vis BdL and BCC before being gradually withdrawn and remitted to the customer on a monthly basis. Customers’ monthly entitlements are (i) an amount of USD 400 in cash or equivalent (transfer abroad, credited to a payment card with international usage, etc.) (amended later on to US$ 300 for all BDL 158-based contracts signed with the customers after 1 July 2023 following the issuance of BDL intermediate circular 674 on 5 July 2023) and (ii) an amount in LBP equivalent to USD 400 and converted at a rate USD/LBP 12,000 (before amendment USD/LBP at 15,000 on 20 January 2023), noting that 50% of the amount will be paid in cash and 50% will be credited to a payment card. The portion in LBP was later on removed with the issuance of BDL Intermediate Circular 674. On 17 November 2023, BdL issued Intermediate Circular 682 adding an eligibility criteria to benefit from Basic Circular 158.

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

1 CORPORATE INFORMATION (continued)

1.2 Regulatory environment (continued)

During 2024 several intermediary circulars were issued granting additional payments to beneficiaries of Basic Circular 158 (2 in October 2024, 1 for each month from November 2024 to January 2025) All additional payments were financed from the Bank's compulsory reserves with BDL in foreign currency.

Intermediate circular 729 issued on 20 February 2025 increased the monthly payment to be $500 for all beneficiaries of Basic Circular 158. The monthly payment was further increased to $800 (Intermediate circular 736 issued on 18 June 2025). Intermediate Circular 746 issued on 28 November 2025 increased the monthly payment by $200 to be $1,000 that can only be used through POS. These additional amounts were financed from the Bank's compulsory reserves with BDL in foreign currency.

Customers who have transferred their funds after the crisis to another local Bank can benefit from the provisions of said circular if (i) transferred funds are returned to the originating bank, and if (ii) the customer hadn't benefited from the circular neither from the originating Bank, nor the destination Bank. The financing of the aforementioned process will be secured equally through (i) BdL reduction of compulsory reserves requirements from 15% to 14% as per BdL Intermediate Circular 586 and then from 14% to 11% as per BdL Intermediate Circular 731 issued on 27 March 2025 and (ii) the Bank's offshore liquidity. To that end, the Bank can use its foreign liquidity subject computed as per BdL Basic Circular 154 requirements on the condition that it reconstitutes it by 31 December 2022, extended to 31 December 2023 by Intermediate Circular 626 issued on 21 June 2022.

- Basic Circular 159 issued on 17 August 2021 preventing banks from processing foreign currency funds received from customers whether in the form of cash or through offshore transfers at a value other than its face value, with the exception of transactions pertaining to the settlement of loans (which was subsequently removed by Intermediate Circular 671 issued on 20 June 2023). It also prevented banks from purchasing foreign currencies at parallel rate with the exception of the purchase foreign currencies duly recorded on the electronic platform and resulting from offshore incoming transfers with the purpose of (i) enhancing liquidity, (ii) engaging in medium or long term investments, (iii) settling international commitments. Finally, the circular prevented banks from purchasing bankers' checks and other bank accounts in foreign currencies, whether directly or indirectly.

- Intermediate Circular 600 (amending Basic Circular 73) issued on 3 November 2021 requires banks to record existing and future provisions for expected credit losses in the same currency as the related assets and off-balance sheet exposures. Banks are also required to set in place necessary measures to manage their FX position resulting from provisions recorded in foreign currencies.

- Intermediate Circular 616 issued on 3 March 2022 prohibiting banks from distributing dividends to ordinary shareholders from results of financial years 2019, 2020 and 2021 (years 2022, 2023, 2024 and 2025 were added through Intermediate Circular 659, 676, 726 and 741 respectively).

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

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

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

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

1 CORPORATE INFORMATION (continued)

1.2 Regulatory environment (continued)

- Intermediate Circular 648 issued on 1 November 2022 (amending Basic Circulars 14 and 67) reduced by 50% the interest rates served on foreign currencies placements with BdL and on Certificates of Deposits issued by BdL while continuing paying 50% of coupon payment in the instrument's currency and 50% in LBP at official rate (LBP 1,507.5 to the US Dollar until 31 January 2023 and LBP 15,000 to the US Dollar afterwards). This circular was later amended on 2 February 2024 by Intermediate Circular 686 increasing the interest rate reduction on foreign currencies placements with BdL and on Certificates of Deposits issued by BdL from 50% to 75% while limiting the coupon payment to be in FCY only. The Intermediate Circular 701 issued on 27 June 2024 specified that interests paid in USD by BDL on the banks' term deposits in US dollars and on Certificates of deposits in US Dollars owned by banks will be placed in the non- "cash money" current account opened at BDL for the concerned bank. Those provisions are applicable until 31 December 2024. Intermediate Circular 738 issued on 18 June 2025 extended the deadline to 31 December 2025. Intermediate Circular 749 issued on 30 December 2025 amended the interest reduction from 75% to 90%.

- Intermediate Circular 656 issued on 20 January 2023 stating that Banks and financial institutions operating in Lebanon must not accept the repayment of loans granted in foreign currencies to non-residents, of which off-shore companies, except through incoming cross-border transfers of fresh funds.

- Basic Circular 165 issued on 19 April 2023 and requesting banks to open new accounts at BDL in LBP and in US$ specifically and exclusively for the "Cash Money" (i.e. money transferred from abroad and/or received as banknotes in foreign currencies after 17 October 2019 in addition to the money deposited or which will be deposited as banknotes in new accounts in LBP and which respect the conditions set in BDL basic circular 150 for "fresh money"). These new accounts will be used for the settlement, compensation & transfer operations through BDL National Payment System (BDL-NPS).

- Intermediate Circular 683 issued on 17 November 2023 amending the provisions BDL Basic Cicular 32 which defines the framework of Foreign Exchange ("FX") operations in Banks operating in Lebanon and various FX positions computation. This circular came on the wake of several amendments applied in 2023 (Intermediate Circular 659, Intermediate Circular 675 and Intermediate Circular 677) aiming at converging to the IAS 21: The Effects of Changes in Foreign Exchange Rates differentiating monetary from non-monetary items and the corresponding impact on the Bank's FX position. Based on the new definition, the Bank is authorized to hold a Special Long FX position to hedge its core equity against FX risk. This special long FX position is to be deducted from the FX open position to reach the FX Trading Position. Besides, the circular reintroduced the 1% maximum limit (if the Bank holds concurrently a long open position and a net long trading position) on net trading position and 40% limit on Global position, while cancelling all previously authorized structural/fixed positions and any forbearance limit. The Intermediate Circular 730 issued on 20 February 2025 circular stated that excesses over set limits whether long or short should be liquidated by 31 December 2025. Intermediate Circular 755 issued on 9 January 2026 extended the deadline for short FX open position to 31 December 2026 and Intermediate Circular 762 issued on 8 May 2026 extended the deadline for long FX open position to 31 December 2026.

- Intermediate Circular 689 issued on 2 February 2024 permitting the full inclusion in Common Equity Tier 1 of balance of Foreign Currency Translation Adjustments as well as 75% of net changes from FVTOCI instruments. Besides, it allowed a full draw down of the 2.5% capital conservation buffer during years 2023 and 2024). This circular was later amended on 29 August 2025 by Intermediate Circular 740 including year 2025.

- Intermediate Circular 690 issued on 2 February 2024 permitting the full inclusion in the regulatory equity of positive balance (gains) of Foreign Currency Translation Reserve noting that this equity is used for the computation of various regulatory ratios other than capital adequacy ratios (FX position, limit of placement with FI, Code of money credit ("CMC") 153 limit.

1 CORPORATE INFORMATION (continued)

1.2 Regulatory environment (continued)

- Basic Circular 166 issued on 2 February 2024 defining a new mechanism for the repayment of restricted funds in FCY and de-facto replacing Basic Circular 151, which authorized limited withdrawals in LBP from foreign currencies accounts at pre-defined exchange rates and has not been renewed. Beneficiaries from said circular – who cannot be old or current beneficiaries from Basic Circular 158 - would be able to withdraw on a monthly basis USD150 in cash up to a cumulative amount of USD 4,350 until June 2026. 50% of said amount will be financed from the Bank's own liquidity and 50% from the Bank's restricted funds with BDL. Certain exclusions parameters apply to potential customers wishing to benefit from the circular (Customers who did not return offshore transfers as per basic circular 154, traders of checks, customers who converted LBP deposits into foreign currencies for at least USD 300,000 post-crisis with the exception of those who converted their end of service indemnity, customers who settled their FCY loans for an amount equivalent to USD 300,000 from LBP proceeds, beneficiaries of sayrafa transactions above or equal to USD 75,000, corporate clients, etc.). On 27 June 2024, Intermediate Circular 698 expanded the scope of beneficiaries to include minors. Besides, beneficiaries of BDL Basic Circular 166 can now benefit from BDL Basic Circular 158 as long they don't benefit from both circulars concurrently in the same "yearly cycle" (1st of July in any given year -30th of June in the following year). The yearly cycle requirement was later on removed by Intermediate Circular 718 issued on 26 November 2024.

  During 2024 several intermediary circulars were issued granting additional payments to beneficiaries of Basic Circular 166 (2 in October 2024, 1 for each month from November 2024 to January 2025) All additional payments were financed from the Bank's compulsory reserves with BDL in foreign currency. Intermediate circular 728 issued on 20 February 2025 increased the monthly payment to be $250 for all beneficiaries of Basic Circular 166; cumulative amount was increased accordingly from USD 4,350 to USD 6,700. The monthly payment was further increased to $400 (Intermediate circular 737 issued on 18 June 2025) and the cumulative amount was increased accordingly from USD 6,700 to USD 8,500. Intermediate Circular 747 issued on 28 November 2025 increased the monthly payment by $100 that can only be used through POS and the cumulative amount was increased to USD 9,200. These additional amounts were financed from the Bank's compulsory reserves with BDL in foreign currency.

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

- Intermediate Circular 708 issued on 20 September 2024 (amending Basic Circulars 43 and 44) changing the treatment of revaluation of foreclosed assets for regulatory capital calculation, to become allowed for inclusion as Common Equity Tier 1 for 75% of its value (previously 33% of this reserve was allowed for inclusion as Tier 2), subject to approval of the Central Bank of Lebanon on the revaluation gain and on the completion of the revaluation before 31 December 2025 extended to 31 December 2026 by Intermediate Circular 741 issued on 10 September 2025.

- Intermediate Circular 712 issued on 10 October 2024 (amending Basic Circular 147) requesting from Banks to refund customers' accounts with the proceeds of a Banker's check issued by the Bank from the concerned customer's account on the condition it has not been endorsed and there are no related litigations. Besides, if the customer is eligible, he can benefit from provisions of Basic Circulars 158 and 166.

- Intermediate Circular 723 issued on 13 January 2025 (amending Basic Circular 81) restricting the granting of loans in US Dollars to "cash money" only as per Basic Circular 165 definition.

- Intermediate Circular 733 issued on 27 March 2025 (amending Basic Circular 159) permitting banks to purchase foreign currencies provided that the margins and commissions do not exceed 1% of the purchase price to only sell local foreign currency only to Central Bank of Lebanon. Banks are also restricted to sell or purchase financial instrument in Local foreign currencies without prior approval from Central Bank of Lebanon (amended with Intermediate Circular 734 issued on 14 April 2025).

1 CORPORATE INFORMATION (continued)

1.2 Regulatory environment (continued)

- Intermediate Circular 742 issued on 10 September 2025 requires banks, when issuing banker's checks or certified checks in Lebanese pounds, to ensure the purpose is legitimate (personal or commercial uses, tax payments, judicial deposits...) and does not lead to currency speculation. These checks must include the phrase "Payable only to the first beneficiary (non-endorsable)."

- Intermediate Circular 744 issued on 27 October 2025 excludes Lebanese Treasury Bonds in foreign currencies (Eurobonds) from the specified ratio and prohibits non-compliant banks from selling these bonds. Compliant banks may sell Eurobonds provided proceeds are used primarily to: (1) secure liquidity for one year, and (2) finance commercial and investment operations, without covering operating expenses.

- Basic Circular 169 issued on 1 July 2025 subjecting any offshore transfer of FCY restricted deposits to BDL approval in the name of equal treatment of depositors.

- Basic Circular 171 issued on 14 November 2025 requires all banks and institutions under the supervision of the Central Bank to comply with requests for lifting banking secrecy from the Central Bank and/or the Banking Control Commission without any excuse. Requests may include any records or information related to individuals or entities, retroactively up to ten years from the law's issuance date. Requests must be sent securely (encrypted electronically or confidentially in writing) and signed by authorized officials. Banks must establish internal procedures to handle requests, ensure secure transmission, and maintain confidentiality. Documents must be marked "Confidential," and receipt must be confirmed. Records of transmission and receipt must be kept for at least ten years. Banks must respond within 15 working days. Non-compliance subjects institutions to legal penalties. The Banking Control Commission monitors implementation and may update procedures.

- Basic Circular 172 issued on 21 January 2026 requires all banks to ensure that customers complete the Cash Transaction Slip (CTS) as per attached Form (RF2), whenever they carry out at a specific bank, on a daily basis, one or more cash deposits equal to, or above USD 10,000 or its equivalent in any other currency. The information provided in the CTS Form is cross-checked against the information in the KYC Form to verify its consistency.

1.3 Particular situation of the Bank

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

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

	2025		*2024*	
	Rate as at 31 December LL	***Average rate for the year ended 31 December LL***	*Rate as at 31 December LL*	*Average rate for year ended 31 December LL*
US Dollar	**89,500**	**89,500**	89,500	83,293
Euro	**105,386**	**104,836**	93,465	90,030
Swiss Franc	**113,535**	**111,900**	99,224	94,331
British Pound Sterling	**121,022**	**122,348**	112,752	106,666
Kuwaiti Dinar	**290,773**	**291,600**	290,490	271,485
Saudi Riyal	**23,865**	**23,856**	23,835	22,198
Canadian Dollar	**65,400**	**64,057**	62,239	60,567

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

1 CORPORATE INFORMATION (continued)

1.3 Particular situation of the Bank (continued)

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

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

	2025		*2024*	
	Rate as at 31 December LL	***Average rate for the year ended 31 December LL***	*Rate as at 31 December LL*	*Average rate for year ended 31 December LL*
US Dollar	**89,500**	**89,500**	89,500	89,500

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

The Bank uses the official published exchange rate to translate all balances and transactions in foreign currencies, regardless of their source or nature. With respect to onshore monetary assets and liabilities, subject to de-facto capital controls, this does not always represent a reasonable estimate of expected cash flows in Lebanese Pounds that would have to be generated/used from the realisation of such assets or the payment of such liabilities at the date of the separate financial statements.

Expected credit losses
As at 31 December 2025, loss allowances on assets held at the Central Bank of Lebanon are recorded in these financial statements at the loss rates mentioned in the Central Bank of Lebanon's Basic Circular 44. Due to the high levels of uncertainty and to the lack of observable indicators and of visibility on the government's plans with respect to the bank's exposure to the Central Bank of Lebanon and Lebanese sovereign, we are unable to estimate in a reasonable manner expected credit losses on these exposures. Accordingly, these financial statements do not include adjustments of the carrying amount of these assets to their recoverable amounts based on IFRS Accounting Standards as issued by the International Accounting Standard Board (IASB) and an expected credit loss model.

The impact is expected to be pervasive and will be reflected in the financial statements once the debt restructuring has been defined conclusively by the government and all uncertainties and constraints are resolved, and once the mechanism for allocating losses by asset class and currency is clear and conclusive. Maximum exposures to the credit risk of the Central Bank of Lebanon and the Lebanese government and the recognised loss allowances, as well as their staging, are detailed in Note 29.2 to these financial statements.

As a result of the negative economic conditions and the deepening of the recession, the credit quality of the private loans portfolio concentrated in Lebanon has significantly deteriorated since the last quarter of 2019. Given the high level of uncertainties facing the Lebanese economy and the expected type of instruments underlying future cash flows on settlement of these private loans, loss allowances have been estimated based on the best available information at the reporting date about past events, current conditions and forecasts of economic conditions combined with expert judgment. Maximum exposures to the credit risk of the Bank's portfolio of private loans and the recognised loss allowances, as well as their staging, are detailed in Note 29.2 to these financial statements.

1 CORPORATE INFORMATION (continued)

1.3 Particular situation of the Bank (continued)

Expected credit losses (continued)
The financial position of the Bank, as reported in these financial statements, does not reflect the adjustments that would be required by IFRS Accounting Standards as a result of the future government reform program, the deep recession, the currency crisis and the hyperinflation. Due to the high levels of uncertainties, the lack of observable indicators , the uncertainty on the exchange rate, and the lack of visibility on the government's plans with respect to: (a) the high exposures of banks with the Central Bank of Lebanon, (b) the Lebanese sovereign securities, and (c) the currency exchange mechanisms and currency exchange rates that will be applied on foreign currencies subject to defacto capital controls, management is unable to estimate in a reasonable manner the impact of these matters on its financial position. Management anticipates that the above matters will have a materially adverse impact on the Bank's financial position and its equity.

Litigations and claims
Until the above uncertainties are resolved, the Bank is continuing its operations as performed since 17 October 2019 and in accordance with the laws and regulations. De-facto capital controls and inability to transfer foreign currencies to correspondent banks outside Lebanon are exposing the Bank to litigations that are dealt with on a case-by-case basis when they occur.

Law 330 dated 4 December 2024
Law 330 enacted on 4 December 2024 (amending Article 45 of Income Tax Law 144 and its amendments), authorized taxpayers to conduct a nontaxable exceptional revaluation of fixed assets and inventory, and an exceptional adjustment on the negative or positive foreign exchange differences resulting from receivable and payable balances and from financial accounts in foreign currency. On 12 March 2025, the Ministry of Finance issued the decisions 338, 339 and 340 related to the application of Law 330.

On 1 August 2025, the Ministry of Finance issued decision 715/1 related to the application of law 330 by banks. The Bank applied the requirements of Law 330 which did not have an impact on tax liability at 31 December 2025 or previous years.

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

On 11 February 2021 the Bank received a letter from the Central Bank of Lebanon, referring to Basic Circular 154 and Intermediate Circular 567, and requesting the Bank to submit, by 28 February 2021 a roadmap that sets out the following:

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

The roadmap was submitted to the Central Bank of Lebanon on 22 March 2021, including a number of assumptions that remain highly susceptible to material change depending on the evolution of the financial, monetary and operating conditions in Lebanon. Hence, a definitive a reasonable and credible roadmap can only be achieved once the many material uncertainties still governing the outlook in Lebanon are resolved, and the amount of recapitalisation needs is accurately determinable.

1 CORPORATE INFORMATION (continued)

1.3 Particular situation of the Bank (continued)

Strengthening capitalization and covering capital shortfalls
The Bank is taking measures to help strengthen its financial position, including international liquidity and solvency metrics, However, as at 31 December 2025, capital adequacy ratios stood at 24.41%for CET1, Tier 1 and Total CAR (minimum regulatory levels of 4.5%, 6.0% and 8.0%, since banks are allowed to draw down on the 2.5% capital conservation buffer during 2024 and 2025).

Maintain operating profitability
The Bank has assessed its ability to maintain operating income to cover operating expenses.

Managing internal and external liquidity
The Bank has focused on preserving as much as possible its internal and external liquidity. This strategy will be maintained for the coming years with the aim to maintain liquidity, noting the small size of the Bank, and the absence of any external commitments.

Managing loans portfolio
Management will maintain its diligent and attentive strategy in managing its portfolio of loans taking into consideration the internal adverse conditions in Lebanon.

Continuity
The parent Bank, National Bank of Kuwait S.A.K., which has oversight over the Bank and determines its operating strategies, is following a conservative policy with regard to the Bank's activities in Lebanon and is closely monitoring its operations. Management believes that this relationship between the Bank and its Parent provides the Bank with the support to overcome risks and difficulties facing the banking sector in particular and the Lebanese economy in general.

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis except for the revaluation of lands and buildings.

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

As of 31 December 2025, and 2024, all conditions have been met for the Bank's financial statements for the years then ended to incorporate the inflation adjustment provided under IAS 29 "Financial Reporting in Hyperinflationary Economies". IFRS requires that financial statements of any entity whose functional currency is the currency of a hyperinflationary economy be restated into the current purchasing power at the end of the reporting period. Paragraph 4 of IAS 29 states that it is preferable for all entities that report in the currency of a hyperinflationary economy to apply the standard at the same date. In order to achieve uniformity as to the identification of an economic environment of this kind, IAS 29 provides certain guidelines: a cumulative three-year inflation rate exceeding 100% is a strong indicator of hyperinflation, but also qualitative factors, such as analysing the behaviour of population, prices, interest rates and wages should also be considered.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The Lebanese Central Administration of Statistics office reported 3-year and 12-month cumulative rates of inflation of 287% and 12% respectively, as of 31 December 2025 (2024: 666% and 18%, respectively). Qualitative indicators, following the deteriorating economic condition and currency controls, also support the conclusion that Lebanon is a hyperinflationary economy for accounting purposes for periods ending on or after 31 December 2020.

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

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

(a) Financial statements must be adjusted to consider the changes in the currency's general purchasing power, so that they are expressed in the current unit of measure at the end of the reporting period.

(b) In summary, the restatement method under IAS 29 is as follows:

i. Monetary items are not restated in as much as they are already expressed in terms of the measuring unit current at the closing date of the reporting period. In an inflationary period, keeping monetary assets generates loss of purchasing power and keeping monetary liabilities generates an increase in purchasing power. The net monetary gain or loss shall be included as income for the period for which it is reported.

ii. Non-monetary items carried at the current value of the end date of the reporting period shall not be restated to be presented in the balance sheet, but the restatement process must be completed in order to determine into the current purchasing power at the end of the reporting period the income derived from such non-monetary items.

iii. Non-monetary items carried at historical cost or at the current value of a date prior to the end of the reporting period are restated using coefficients that reflect the variation recorded in the general level of prices from the date of acquisition or revaluation to the closing date of the reporting period, then comparing the restated amounts of such assets with the relevant recoverable values. Depreciation charges of property, plant and equipment and amortization charges of intangible assets recognized in profit or loss for the period, as well as any other consumption of non-monetary assets will be determined based on the new restated amounts.

iv. Income and expenses are restated from the date when they were recorded, except for those profit or loss items that reflect or include in their determination the consumption of assets carried at the purchasing power of the currency as of a date prior to the recording of the consumption, which are restated based on the date when the asset to which the item is related originated; and except also those profit or loss items originated from comparing two measurements expressed in the purchasing power of currency as of different dates, for which it is necessary to identify the compared amounts, restate them separately, and compare them again, but with the restated amounts.

v. At the beginning of the first year of application of the restatement method of financial statements in terms of the current measuring unit, the prior-year comparatives are restated in terms of the measuring unit current at the end of the current reporting period, the equity components, except for reserved earnings and undistributed retained earnings, shall also be restated, and the amount of undistributed retained earnings shall be determined by the difference between net assets restated at the date of transition and the other components of opening equity expressed as indicated above, once all remaining equity components are restated.

As of the date of the accompanying financial statements, management did not apply the above mentioned standard nor is it able of quantifying the effect that the application of IAS 29 would have on the presented financial statements. However, management estimates such effects to be significant. This situation must be taken into account when interpreting the information reported by the Bank in the accompanying financial statements including its statement of financial position, income statement, statement of comprehensive income and cash flow statement.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

The Bank is currently assessing the date at which it will apply IAS 29. The application of IAS 29 is very complex and requires the Bank to develop new accounting software and processes, internal controls and governance framework. Accordingly, the Bank has postponed the application of IAS 29 and incurring costs for developing accounting processes and a governance framework until the Bank is comfortable that such application would provide the users with more relevant information.

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

2.2 New Standards, Interpretations and Amendments Adopted by the Bank

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

Financial assets and financial liabilities are generally reported gross in the statement of financial position. They are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously - in all of the following circumstances: a) the normal course of business, b) the event of default, and c) the event of insolvency or bankruptcy of the Bank and/or its counterparties. Only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement. This is not generally the case with master netting agreements; therefore, the related assets and liabilities are presented gross in the statement of financial position. Income and expense are not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Bank.

The Bank applied for the first time, certain amendments to the standards which are effective for annual periods beginning on or after 1 January 2025. The nature and the impact of each amendment is described below:

Lack of exchangeability – Amendments to IAS 21
For annual reporting periods beginning on or after 1 January 2025, Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of an entity’s financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity’s financial performance, financial position and cash flows.

This amendment did not have a material impact on the Bank’s financial statements.

2.3 Standards issued but not yet effective

New and amended standards and interpretations that are issued but not yet effective will not have a material impact on the Bank’s financial statements.

Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7
On 30 May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- Clarifications of the requirements for recognition and derecognition of financial assets and liabilities

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.3 Standards issued but not yet effective (continued)

Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (continued)

- A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

The Amendments are effective for annual periods starting on or after 1 January 2026 and are not expected to have a material impact on the financial statements.

Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7
In December 2024, the IASB issued Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity. The amendments apply only to contracts that reference nature-dependent electricity.
The amendments:

- Clarify the application of the 'own-use' requirements for in-scope contracts
- Amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts
- Add new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows

The amendments will take effect for annual reporting periods starting on or after 1 January 2026. Early adoption is allowed, but it must be disclosed. The amendments concerning the own-use exception are to be applied retrospectively, while the hedge accounting amendments should be applied prospectively to new hedging relationships designated from the initial application date. Additionally, the IFRS 7 disclosure amendments must be implemented alongside the IFRS 9 amendments. If an entity does not restate comparative information, it cannot present comparative disclosures.

The Bank does not expect that the amendments will have a material impact on its financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements
In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. There are specific presentation requirements and options for entities, such as Good Bank, that have specified main business activities (either providing finance to customers or investing in specific type of assets, or both).

The standard requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and it also includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.3 Standards issued but not yet effective (continued)

IFRS 18 Presentation and Disclosure in Financial Statements (continued)

The Bank is currently working to identify the impacts the standard will have on the primary financial statements and notes to the financial statements. The Bank considers its main business activities to include the provision of financing to customers and investing in financial assets. In accordance with IFRS 18, some of the income and expenses related to those activities are classified in the operating category, as an exception to the general requirements that would otherwise have resulted in their classification in the investing or financing categories.

The initial expected material impacts of IFRS 18 on the Bank's financial statements are, as follows:

- Income and expenses from the following will be classified in the operating category within the statement of profit or loss: (a) cash and cash equivalents; (b) liabilities from transactions that involve only the raising of finance; (c) generally, assets invested in as part of the Bank's main business activity of investing in financial assets that generate a return individually and largely independently of the Bank's other resources
- Foreign exchange differences will be classified in the same category as the related income and expense giving rising to the foreign exchange difference, with some exceptions.
- Gains and losses on hedging instruments, including those not designated as such, but used to manage exposure to identified risks, will be classified in the same category as the income and expenses relating to the risk being covered, with some exceptions.
- For the statement of cash flows, the 'operating profit' subtotal will be used as the starting point for determining cash flows from operating activities. Furthermore, the classification of the total cash flows from all dividends received, all interest paid and all interest received will each, respectively, be classified in a single category in the statement of cash flows following the classification of the related income and expenses in the statement of profit or loss.
- New disclosures will be added for: (a) management-defined performance measures; (b) specified expenses by nature if expenses are presented by function in the operating category of the statement of profit or loss;
- A reconciliation for each line item in the statement of profit or loss between the restated amounts presented applying IFRS 18, and the amounts previously presented applying IAS 1.

2.4 Material accounting policies

Foreign currency translation

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transactions (as disclosed in Note 1).

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange (as disclosed in Note 1) at the statement of financial position date. All differences are taken to "Net gain from foreign exchange" in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Financial instruments –initial recognition

(i) Date of recognition

All financial assets and liabilities are initially recognized on the trade date, i.e. the date that the Bank becomes a party to the contractual provisions of the instrument. This includes purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

(ii) Initial measurement of financial instruments

Financial instruments are initially measured at their fair value, plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument. In the cases of financial instrument is measured at fair value, with the change in fair value being recognized in profit or loss, the transaction costs are recognized as revenue or expense when the instrument is initially recognized.

When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

(iii) Day 1 profit or loss

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

Financial instruments - classification and measurement

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income or fair value through profit or loss.

A debt instrument is measured at amortised cost if it meets both of the following conditions:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A debt instrument is measured at fair value through other comprehensive income only if it meets both of the following conditions:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

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

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

Business model

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Financial instruments - classification and measurement (continued)

Business model (continued)
The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

In making an assessment whether a business model's objective is to hold assets in order to collect contractual cash flows, the Bank considers at which level of its business activities such assessment should be made. Generally, a business model is a matter of fact which can be evidenced by the way business is managed and the information provided to Management. However, in some circumstances, it may not be clear whether a particular activity involves one business model with some infrequent asset sales or whether the anticipated sales indicate that there are two different business models. Thus, an entity's business model can be to hold financial assets to collect contractual cash flows even when sales of financial assets occur. However, if more than an infrequent number of sales are made out of a portfolio, the entity needs to assess whether and how such sales are consistent with an objective of collecting contractual cash flows. If the objective of the entity's business model for managing those financial assets changes, the entity is required to reclassify financial assets. Gains and losses arising from the derecognition of financial assets measured at amortised cost are reflected under "net gain on sale of financial assets at amortised cost" in the income statement.

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

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

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

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

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

Financial assets at amortised cost
Balances with the Central Bank of Lebanon, Due from Banks and Financial Institutions, Due from Head Office, Branches an Affiliates, and Loans and Advances to Customers and Related Parties at Amortised Cost.
These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributed to the acquisition are also included in the cost of investment. After initial measurement, these are subsequently measured at amortised cost using the EIR, less expected credit losses. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in "interest and similar income" in the income statement. The losses arising from impairment are recognised in the income statement in "net impairment loss on financial assets".

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Financial instruments - classification and measurement (continued)

Financial assets at fair value through profit or loss
Included in this category are those debt instruments that do not meet the conditions in "Debt instruments at amortized cost" above, and debt instruments designated at fair value through profit or loss upon initial recognition.

Management only designates a financial asset at fair value through profit and loss upon initial recognition when the designation eliminates, significantly reduces, the inconsistent treatment that would otherwise arise from measuring assets or recognising gains and losses on them on a different basis.

Financial Liabilities (other than financial guarantees and undrawn credit lines) – Classification and Measurement
Liabilities are initially measured at fair value plus, in the case of a financial liability not at fair value through profit or loss, particular transaction costs. Liabilities are subsequently measured at amortised cost or fair value.

The Bank classifies all financial liabilities as subsequently measured at amortised cost using the effective interest rate method, except for:
- Financial liabilities at fair value through profit or loss (including derivatives);
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;

Due to the Central Bank of Lebanon, due to head office, branches and affiliates, due to banks and financial institutions, and customers' deposits and related parties' deposits at amortized cost

After initial measurement, these financial liabilities are measured at amortized cost less amounts repaid using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate method.

Derivatives recorded at fair value through profit or loss
The Bank uses derivatives such as interest rate swaps and forward foreign exchange contracts.

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The notional amount and fair value of such derivatives are disclosed separately in the notes. Changes in the fair value of derivatives are recognized in "net gain on financial assets at fair value through profit and loss" in the income statement.

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

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Financial guarantees, and undrawn credit lines
The Bank issues financial guarantees and undrawn credit lines.

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

Undrawn credit lines are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of ECL requirements. The nominal contractual value of financial guarantees and undrawn credit lines, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in the notes.

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

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

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

De-recognition of financial assets and financial liabilities

Financial assets
(i) Derecognition due to substantial modification of terms and conditions
If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs.

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

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

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

De-recognition of financial assets and financial liabilities (continued)

Financial assets (continued)

(i) Derecognition due to substantial modification of terms and conditions (continued)
If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

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

The Bank has transferred the financial asset if, and only if, either:

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

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates;
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients;

The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset; or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

De-recognition of financial assets and financial liabilities (continued)

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

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

Impairment of financial assets
The Bank computes Expected Credit Losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss:

- loans and advances;
- letters of credit and financial guarantee contracts including commitments;
- investment in debt securities measured at amortised cost;
- balances and deposits with banks

Equity investments are not subject to Expected Credit Losses.

Impairment of credit facilities
Credit facilities granted by the Bank consists of loans and advances, letters of credit and financial guarantee contracts and commitments to grant credit facilities. Impairment on credit facilities shall be recognised in the statement of financial position at an amount equal to the ECL under IFRS 9.

Impairment of financial assets other than credit facilities
The Bank recognises ECL on investment in debt securities measured at amortised cost or FVOCI and on balances and deposits with banks.

Expected credit losses
The Bank applies a three-stage approach to measure the expected credit loss as follows:

<u>Stage 1: 12-month ECL</u>
The Bank measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition or on exposures that are determined to have a low credit risk at the reporting date. The Bank considers a financial asset to have low credit risk when its credit risk rating is
equivalent to the globally understood definition of ‘investment grade’.

<u>Stage 2: Lifetime ECL – not credit-impaired</u>
The Bank measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit-impaired.

<u>Stage 3: Lifetime ECL – credit-impaired</u>
The Bank measures loss allowances at an amount equal to lifetime ECL on financial assets that are determined to be credit impaired based on objective evidence of impairment.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Impairment of financial assets (continued)

Expected credit losses (continued)
Lifetime ECL is the ECL that result from all possible default events over the expected life of a financial instrument. The 12-month ECL is the portion of lifetime expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both lifetime ECLs and 12-month ECLs are calculated either on an individual basis or on a collective basis depending on the nature of the underlying portfolio of financial instruments.

Determining the stage of Expected Credit Loss
At each reporting date, the Bank assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due are generally deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk unless this is rebutted.

At each reporting date, the Bank also assesses whether a financial asset or group of financial assets is credit-impaired. The Bank considers a financial asset to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 90 days past due. All credit-impaired financial assets are classified as stage 3 for ECL measurement purposes. Evidence of credit impairment includes observable data about the following:

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

At the reporting date, if the credit risk of a financial asset or group of financial assets has not increased significantly since initial recognition or not become credit impaired, these financial assets are classified as stage 1.

Measurement of ECLs
ECL is probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Cash shortfall represents the difference between cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive.

The key elements in the measurement of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Bank estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward-looking macroeconomic scenarios, etc.

Incorporation of forward-looking information
The Bank considers key economic variables that are expected to have an impact on the credit risk and the ECL in order to incorporate forward-looking information into the ECL models. These primarily reflect reasonable and supportable forecasts of the future macro-economic conditions. The consideration of such factors increases the degree of judgment in determination of ECL. The Management reviews the methodologies and assumptions including any forecasts of future economic conditions on regular basis.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Impairment of financial assets (continued)

Expected credit losses (continued)

Modification of loans
Under certain circumstances, the Bank seeks to restructure loans rather than taking possession of collateral. This may involve extending the payment arrangements, reduction in the amount of principal or interest and the agreement of new loan or financing conditions. If the modifications are substantial, such a facility is derecognised and a new facility is recognised with substantially different terms and conditions. The facility will have a loss allowance measured based on 12 month ECL except in rare occasions where the new facility is considered to be originated and credit impaired. Management continuously reviews modified loans to ensure that all criteria are met and that future payments are likely to occur. Management also assesses whether there has been significant increase in credit risk or the facility should be classified in stage 3. When loans have been modified but not derecognised, any impairment is measured using the original effective interest rate as calculated before the modification of terms.

Collateral valuation
To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same as it was under IAS 39. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position.

However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily. Details of the impact of the Bank's various credit enhancements are disclosed in the risk management notes.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Write off
The gross carrying amount of a financial asset is written off (either partially or in full) when the Bank determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for ECL are presented as a deduction from the gross carrying amount of the financial assets for financial assets carried at amortised cost. ECL for loan commitments, letters of credit and financial guarantee contracts are recognised in other liabilities. When the Bank is unable to identify the ECL on the undrawn portion of credit commitments separately from drawn portion of commitments, the combined amount of ECL is presented as a deduction from the gross carrying amount of the drawn portion.

Fair value measurement
The Bank measures financial instruments, such as derivatives, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in the notes.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Fair value measurement (continued)
The principal or the most advantageous market must be accessible by the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained.

Offsetting
Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Bank intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Revenue recognition
The following specific recognition criteria must also be met before revenue is recognised.

(i) Interest and similar income and expense
Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost, interest rate derivatives for which hedge accounting is applied and the related amortisation/recycling effect of hedge accounting. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Revenue recognition (continued)

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

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding profit or loss impact.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

The IBOR reform Phase 2 amendments allow as a practical expedient for changes to the basis for determining contractual cash flows to be treated as changes to a floating rate of interest, provided certain conditions are met. The conditions include that the change is necessary as a direct consequence of IBOR reform and that the transition takes place on an economically equivalent basis.

Interest income and interest expense

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

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

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

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss includes interest on financial assets at amortised cost.

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

Interest income or expense on financial instruments measured at amortized cost are presented in the income statement under "Interest and similar income.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Revenue recognition (continued)

(ii) Fee and commission income

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise of those balances whose original maturities are three months or less from the date of acquisition: cash and balances with the Central Bank of Lebanon, due from banks and other financial institutions, deposits with head office, branches and affiliates, due to the Central Bank of Lebanon, and deposits due to head office, branches and affiliates.

Property and equipment

Property and equipment are stated at cost. Depreciation is calculated on a straight line basis to write down the cost of property and equipment to their residual values over their estimated useful lives. Freehold land is not depreciated. The estimated useful lives are as follows:

Buildings	50 years
Furniture, fixtures and equipment	From 4 to 12.5 years
Leasehold improvements and decorations	5 years
Vehicles	4 years
Computer equipment	5 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

Fixed assets taken in recovery of debt

The Bank occasionally acquires real estate in settlement of certain loans and advances. Such real estate is stated at the lower of the amount of the related loans and advances and the current fair value of such assets based on the instructions of the Control Authorities. Gains or losses on disposal, and revaluation losses, are recognized in the income statement for the year.

Customers' deposits

All customer deposits are carried at the fair value of the consideration received, less amounts repaid.

Taxation

(i) Current tax

Taxation is provided for in accordance with the fiscal regulations in Lebanon.

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the statement of financial position date.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.4 Material accounting policies (continued)

Taxation (continued)

(ii) Deferred tax (continued)

Current tax and deferred tax relating to items recognized directly in equity are also recognized in equity and not in the income statement. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and can be reliably measured.

Retirement benefits obligations

The retirement benefits obligations are provided for based on 8.5% of the employees' salaries. The benefits are calculated upon completion of 20 years of services, or when the employee reaches retirement age, or resigns permanently, on the basis of the last salary multiplied by years of service. The Bank is obliged to pay the difference between the paid contribution (calculated at 8% basis) and the provision for retirements benefits payable to the National Social Security Fund. The Bank provides for employees' retirement benefit obligations on this basis.

Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Bank and are recorded as off financial position items.

2.5 Significant accounting judgements and estimates

In the process of applying the Bank's accounting policies, management has exercised judgement and estimates in determining the amounts recognized in the financial statements. The most significant uses of judgement and estimates are as follows:

Going concern

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

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position, cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values.

Impairment losses on financial instruments

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades;
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (continued)

2.5 Significant accounting judgements and estimates (continued)

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

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

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

3 INTEREST AND SIMILAR INCOME

	2025 ***LL million***	*2024* *LL million*
Due from head office, branches and affiliates	**161,980**	188,593
Due from banks and financial institutions	**82,024**	62,866
Loans and advances to customers at amortized cost	**35,139**	46,243
Financial assets at amortized cost	**10,010**	9,338
Balances with the Central Bank of Lebanon	-	863
	289,153	307,903

During the year ended 31 December 2025, there were no withholding taxes deducted from interest and similar income (2024: LL 85 million).

4 INTEREST AND SIMILAR EXPENSE

	2025 ***LL million***	*2024* *LL million*
Deposits from customers and other credit balances at amortized cost	**9,784**	1,597
Deposits from banks and financial institutions	**598**	-
	10,382	1,597

5 NET FEE AND COMMISSION INCOME

	2025 LL million	2024 LL million
Commission income		
Commissions on real estate	**3,974**	1,746
Letters of credit, guarantees and acceptances	**343**	308
Credit cards	**27**	5
Other services	**127,959**	111,102
	132,303	113,161
Commission expenses		
Commission of clearance room and accounts management	**(11,146)**	(9,951)
Commissions and other fees	**(7,091)**	(5,831)
Credit cards	**(441)**	(756)
	(18,678)	(16,538)
Net commission income	**113,625**	96,623

6 PERSONNEL EXPENSES

	2025 LL million	2024 LL million
Salaries and wages	**358,877**	333,291
Provision for retirement benefits obligation (Note 19)	**44,675**	249,585
Social security contribution	**36,708**	28,887
Contractual employees' salaries	**27**	2,784
Other employees' benefits	**63,226**	32,860
	503,513	647,407

7 ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	2025 LL million	2024 LL million
Professional fees	**30,203**	29,690
Taxes and fees	**22,592**	19,408
Expenses and computer services	**31,904**	17,784
Maintenance and repairs	**26,225**	13,957
Electricity, fuel and telecommunication expenses	**16,216**	13,156
Cleaning	**12,964**	11,740
Guarding fees	**8,410**	6,679
Building expenses	**7,001**	6,436
Subscriptions	**5,274**	6,358
Office supplies	**3,061**	1,876
Insurance fees	**4,136**	1,830
Travel, transport and similar expenses	**2,446**	1,172
Guarantee of deposits fee	**176**	176
Rent	**30**	30
Other expenses	**14,661**	10,417
	185,299	140,709

8 INCOME TAX EXPENSE

The movement of income tax expense is as follows:

	2025	*2024*
	LL million	*LL million*
Balance at 1 January	**32**	32
Tax paid during the year	-	-
Balance at 31 December	**32**	32

The relationship between income tax expense and the accounting profit is as follows:

	2025	*2024*
	LL million	*LL million*
Net (loss) profit before income tax	**(478,492)**	2,176,441
Non-deductible expenses and non-taxable income in determining taxal profit:		
Other non-deductible taxes	**7,538**	5,303
Other expenses non- tax deductible	**14,184**	12,613
Difference of exchange on class 4 & 5 as per law 330	**-**	(2,209,297)
Tax on fixed asset revaluation	**-**	(19,636)
	21,722	(2,211,017)
Taxable loss	**(456,770)**	(34,576)
Effective income tax rate	**17%**	17%
Income tax expense	**-**	-

9 CASH AND BALANCES WITH THE CENTRAL BANK OF LEBANON

	2025	*2024*
	LL million	*LL million*
Cash on hand	**218,311**	295,316
Balances due from the Central Bank of Lebanon		
Current accounts	**5,526,866**	4,948,451
Time deposits	**2,237,500**	2,774,500
	7,764,366	7,722,951
Less: Allowance for expected credit losses (Note 26)	**(146,101)**	(147,314)
	7,618,265	7,575,637
	7,836,576	7,870,953

9 CASH AND BALANCES WITH THE CENTRAL BANK OF LEBANON (continued)

Current accounts at the Central Bank of Lebanon include an amount of LL 34,114 million (2024: LL 25,746 million) to cover the monetary regulatory reserve requirement on Lebanese Lira deposits, according to Lebanese banking laws and regulations.

Time deposits at the Central Bank of Lebanon include one placement of US$ 25 million with zero interest rate to cover the regulatory reserve of 11% on foreign currency deposits and amounting to LL 1,200,558 million. The placement matures on 12 January 2026 (2024: placement of US$ 31 million with zero interest rates to cover the regulatory reserve of 14% on foreign currency deposits and amounting to LL 1,554,569 million. The placement matures on 13 January 2025).

10 DUE FROM BANKS AND FINANCIAL INSTITUTIONS

	2025	*2024*
	LL million	*LL million*
Current accounts	**201,911**	128,304
Time deposits	**3,003,847**	1,074,265
	3,205,758	1,202,569
Less: Allowance for expected credit losses (Note 26)	**(4,800)**	(1,803)
	3,200,958	1,200,766

11 HEAD OFFICE, BRANCHES AND AFFILIATES

	2025	*2024*
	LL million	*LL million*
Due from head office, branches and affiliates		
Current accounts	**180,339**	173,289
Time deposits*	**3,402,454**	3,778,168
	3,582,793	3,951,457
Less: Allowance for expected credit losses (Note 26)	**(5,601)**	(5,925)
	3,577,192	3,945,532
Due to head office, branches and affiliates		
Current accounts	**2,145**	2,521

*****The Bank maintains a restricted long-term foreign-currency placement with a sister bank amounting to US$ 500,000 (LL 44,750 million) at 31 December 2025 (2024: nil), pledged as collateral to secure a Letter of Guarantee. The placement was initiated on 09 July 2025 and remains pledged until its contractual maturity on 30 June 2030, at which time the underlying guarantee also expires. The placement continues to earn contractual interest. The funds are not available for general use by the Bank until the expiry of the pledged period.

12 LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST

	2025 ***LL million***	*2024* *LL million*
Gross commercial loans	**243,440**	341,890
Gross consumer loans	**148,398**	169,958
	391,838	511,848
Less: Allowance for expected credit losses (Note 26)	**(67,107)**	(96,164)
	324,731	415,684

13 FINANCIAL ASSETS AT AMORTIZED COST

	2025 ***LL million***	*2024* *LL million*
Lebanese sovereign		
Lebanese eurobonds – quoted	**1,879,500**	1,879,500
Other sovereign		
US treasury bills – quoted	**180,367**	179,755
Less: Allowance for expected credit losses (Note 26)	**(1,208,304)**	(1,006,929)
	851,563	1,052,326

14 PROPERTY AND EQUIPMENT

	Land *LL million*	*Buildings* *LL million*	*Equipment, furniture and fixtures* *LL million*	*Leasehold improvements and decorations* *LL million*	*Vehicles* *LL million*	*Computer equipment* *LL million*	*Total* *LL million*
Cost:							
At 1 January 2025	78,952	331,643	6,231	1,124	209	5,003	423,162
Additions	-	-	2,722	192	-	22,867	25,781
Disposals	-	-	(20)	-	-	(25)	(45)
Revaluation	(16,650)	433,806	-	-	-	-	417,156
At 31 December 2025	**62,302**	**765,449**	**8,933**	**1,316**	**209**	**27,845**	**866,054**
Depreciation:							
At 1 January 2025	-	19,368	2,940	964	209	3,573	27,054
Charge for the year	-	14,329	595	78	-	3,431	18,433
Related to disposal	-	-	(20)	-	-	(25)	(45)
At 31 December 2025	-	**33,697**	**3,515**	**1,042**	**209**	**6,979**	**45,442**
Net carrying amount:							
At 31 December 2025	**62,302**	**731,752**	**5,418**	**274**	-	**20,866**	**820,612**

14 PROPERTY AND EQUIPMENT (continued)

	Land *LL million*	*Buildings* *LL million*	*Equipment, furniture and fixtures* *LL million*	*Leasehold improvements and decorations* *LL million*	*Vehicles* *LL million*	*Computer equipment* *LL million*	*Total* *LL million*
Cost:							
At 1 January 2024	1,478	409,117	4,705	1,079	209	3,499	420,087
Additions	-	-	1,526	45	-	1,504	3,075
Transfers	77,474	(77,474)	-	-	-	-	-
At 31 December 2024	78,952	331,643	6,231	1,124	209	5,003	423,162
Depreciation:							
At 1 January 2024	-	8,000	2,726	920	209	2,814	14,669
Charge for the year	-	11,368	214	44	-	759	12,385
At 31 December 2024	-	19,368	2,940	964	209	3,573	27,054
Net carrying amount:							
At 31 December 2024	78,952	312,275	3,291	160	-	1,430	396,108

Revaluation of lands and buildings

In accordance with the Central Bank of Lebanon's Intermediary Circular 659 issued on 20 January 2023, banks may revalue their properties in US Dollars and translate the revalued amount to LL at the Sayrafa rate at 31 December.

Fair value of the lands and buildings was determined using the market comparable method. As at the date of revaluation, the properties' fair values are based on valuations carried out by independent valuers accredited by the local regulators in the countries in which the properties are situated. On 17 March 2025, the Bank received a letter from BCCL approving the fair value of the lands and buildings revalued with an amount of US$ 9,159,220 equivalent to LL (000) 810,877 at the official exchange rate of LL 89,500 to the US Dollar. Gain from Level 3 revaluation of LL 417,155 million in 2025 was recognized in other comprehensive income using the official exchange rate at 31 December 2025 of LL 89,500 to the US Dollar.

15 OTHER ASSETS

	2025 ***LL million***	*2024* *LL million*
Prepaid expenses	**17,823**	17,416
Deferred expenses	**10,588**	2,003
Staff receivables	**2,082**	1,009
Stamps	**285**	519
Exchange difference on structural foreign exchange position	**156**	156
Sundry debtors	**3,712**	13,744
	34,646	34,847
Less: Allowance for expected credit losses (Note 26)	**(475)**	(475)
	34,171	34,372

16 DUE TO BANKS AND FINANCIAL INSTITUTIONS

	2025	*2024*
	LL million	*LL million*
Current accounts	**2,490**	-
Time deposits	**221,731**	-
	224,221	-

17 CUSTOMERS' DEPOSITS AT AMORTIZED COST

	2025	*2024*
	LL million	*LL million*
Current accounts	**10,705,190**	9,361,799
Time deposits	**2,030,826**	1,784,987
Saving accounts	**16,813**	14,886
Accrued interest payable	**1,887**	454
	12,754,716	11,162,126

Customers' deposit accounts include blocked accounts amounting to LL 11,322 million (2024: the same) representing cash collateral pledged in favor of the Bank as a guarantee for the credit facilities and guarantees issued in favor of the customers.

18 OTHER LIABILITIES

	2025	*2024*
	LL million	*LL million*
Banker's drafts	**135,441**	137,459
Accrued expenses	**77,888**	67,293
Sundry creditors	**42,260**	40,845
National Social Security Fund	**3,993**	3,866
Other taxes	**7,484**	7,156
	267,066	256,619

Banker's drafts as at 31 December 2025 and 2024 consists of checks paid to depositors that have not yet been withdrawn from the Central Bank of Lebanon or other Lebanese banks.

19 PROVISIONS FOR RISKS AND CHARGES

	2025	*2024*
	LL million	*LL million*
Retirement benefits obligation	**254,726**	285,589
Provision for risks and charges	**9,444**	9,444
	264,170	295,033

19 PROVISIONS FOR RISKS AND CHARGES (continued)

The movement in the provision of retirement benefits obligation included in the statement of financial position is as follows:

	2025 ***LL million***	*2024* *LL million*
Provision at 1 January	**285,589**	24,215
Provided during the year (Note 6)	**44,675**	249,585
Difference of exchange	-	26,932
Paid during the year	**(75,538)**	(15,143)
Provision at 31 December	**254,726**	285,589

The movement of the provisions for risks and charges included in the statement of financial position is as follows:

	2025 ***LL million***	*2024* *LL million*
Provision at 1 January	**9,444**	2,740
Difference of exchange	-	6,704
Provision at 31 December	**9,444**	9,444

20 SHARE CAPITAL

a Common shares

The authorized, issued and fully paid share capital as of 31 December 2025 comprised of 5,800,000 shares of nominal value LL 6,900 per share (2024: the same).

b Cash contribution by a shareholder

On 4 November 2019, the Central Bank of Lebanon issued Intermediary Circular 532 requiring Lebanese banks to increase its regulatory capital by 20% of the Common Equity Tier 1 capital as at 31 December 2018 through cash contributions in US Dollars, as follows:

a) 10% by 31 December 2019
b) Another 10% by 30 June 2020

On 20 December 2019, the General Assembly approved the cash contribution contract with the major shareholder by which the Bank increased its regulatory capital by 20% through obtaining cash contribution from the major shareholder of the Bank amounting to US$ 11,820,000 (equivalent to LL 17,819 million) paid in two equal installments by 24 December 2019 and 22 June 2020 respectively, in accordance with the following conditions:

- The shareholder is committed to retain the contribution during the lifetime of the Bank;
- The shareholder commits to cover any loss using his contribution according to the provisions of article 134 of the Money and Credit Act;
- The shareholder has the option to use this contribution in case of a capital increase; and
- The interest on contribution is based on one-year Libor, and subject to the approval of the general assembly of shareholders. The interest payment is to be made from the profits and subject to the approval of the Banking Control Commission.

The Banking Control Commission ascertained the payment of the first instalment totaling US$ 5,910,000 (equivalent to LL 8,909 million) made during 2019, and the Central Bank of Lebanon gave its final approval on this contribution. The second installment totaling US$ 5,910,000 (equivalent to LL 8,910 million), was approved by the Banking Control Commission and the Central Bank of Lebanon on 19 August 2020.

20 SHARE CAPITAL (continued)

b Cash contribution by a shareholder (continued)

On 19 June 2023, the Ordinary General Assembly of Shareholders resolved to approve the proposed amendment by the Board of Directors from their meeting on 23 May 2023 to the cash contribution contract with the major shareholder. This amendment stipulated that both, the shareholder and the Bank agreed to cease charging interest on the cash contribution starting from 1 January 2023 until they mutually agree otherwise. On 29 November 2023, the Bank obtained the final approval of the Central Bank of Lebanon.

21 RESERVES

a Non-distributable reserves

1. Statutory reserve

As required by Article 132 of the Lebanese Code of Money and Credit, 10% of the net profit after tax should be transferred to a statutory reserve. This reserve is not distributable.

2. General reserves

According to the Central Bank of Lebanon Main Circular 143, Banks in Lebanon are required to transfer to General Reserves, the balance of Reserves for General Banking Risks and General Reserves for Loans and Advances previously appropriated in line with the requirements of decision 7129 and decision 7776 respectively. This reserve is part of the Bank's equity and is not available for distribution.

In accordance with the resolutions of the General Assembly of Shareholders held on 19 June 2025 the appropriation of profits for the year ended 31 December 2024 was made as follows:

- An amount of LL 217,644 million was transferred to statutory reserve.

In accordance with the resolutions of the General Assembly of Shareholders held on 25 June 2024 the appropriation of profits for the year ended 31 December 2023 was made as follows:

- An amount of LL 36,146 million was transferred to statutory reserve.

b Distributable reserves

In accordance with the resolutions of the General Assembly of Shareholders held on 19 June 2025 the appropriation of profits for the year ended 31 December 2024 was made as follows:

- An amount of LL 1,958,797 million was transferred to general reserve.

In accordance with the resolutions of the General Assembly of Shareholders held on 25 June 2024 the appropriation of profits for the year ended 31 December 2023 was made as follows:

- An amount of LL 40,248 million was used to absorb the accumulated losses as at 31 December 2023.
- An amount of LL 325,309 million was transferred to general reserve.
- An amount of LL 79,319 million was appropriated for the income tax expense for the year ended 31 December 2023.

22 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows consist of the following:

	2025	*2024*
	LL million	*LL million*
Cash and balances with the Central Bank of Lebanon	**7,982,677**	8,018,267
Due from banks and financial institutions	**3,205,758**	1,202,569
Due from head office, branches and affiliates	**3,538,043**	3,951,457
Due to banks and financial institutions	**(224,221)**	-
Due to head office, branches and affiliates	**(2,145)**	(2,521)
	14,500,112	13,169,772

22 CASH AND CASH EQUIVALENTS (continued)

Cash and balances with the Central Bank of Lebanon up to US$ 25 million amounting to LL 1,200,558 million at 31 December 2025 (2024: US$ 31 million amounting to LL 1,554,569 million) and LL 31,114 million (2024: LL 25,746 million) are in coverage of mandatory reserve deposits and balances.

Cash and cash equivalents include balances in foreign currencies that are subject to de facto capital controls and restricted transfers outside Lebanon. Accordingly, these balances are not considered readily convertible to known amounts of cash in the denomination currency without a risk of changes in value. These balances were as follows:

	2025 ***LL million***	*2024* *LL million*
Balances with the Central Bank of Lebanon	**7,730,252**	7,697,206

23 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Bank include subsidiaries, key management personnel and their close family members, as well as entities controlled or jointly controlled by them.

Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including the Directors and Officers of the Bank.

Terms and conditions of transactions with related parties
Entities under common directorship are defined as those entities over which the Bank's key management personnel have similar authority and responsibility to those they have in the Bank.

The Bank enters into transactions with related parties in the ordinary course of business at commercial interest and commission rates.

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

	2025	
	Outstanding balance LL million	***Interest income (expense) LL million***
Loans and advances to related parties at amortized cost		
Key management personnel and their family members	-	-
Due from head office, branches and affiliates	**3,582,793**	**161,980**
Shareholders	***3,153,189***	***40,434***
Banks under common directorships*	***429,604***	***121,546***
Due to head office, branches and affiliates		
Banks under common directorships		
Credit balances	**2,145**	-
Related parties' deposits at amortized cost	**180,130**	-
Key management personnel and their family members	***81,620***	-
Shareholders	***92,113***	-
Other related parties	***5,101***	-
Board members	***1,296***	-

23 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	2024	
	Outstanding balance LL million	*Interest income (expense) LL million*
Loans and advances to related parties at amortized cost		
Key management personnel and their family members	785	-
Due from head office, branches and affiliates	3,951,457	188,593
Shareholders	*3,522,526*	*57,553*
Banks under common directorships*	*428,931*	*131,040*
Due to head office, branches and affiliates		
Banks under common directorships		
Credit balances	2,521	-
Related parties' deposits at amortized cost	185,535	
Key management personnel and their family members	*83,300*	-
Shareholders	*96,516*	-
Other related parties	*5,310*	-
Board members	*409*	-

* *Including the accrued interest receivable amounting to LL 1,454 million as at 31 December 2025 (2024: LL 1,267 million).*

Key management renumerations amounted to LL 82,891 million for the year ended 31 December 2025 (2024: LL 82,869 million).

24 COMMITMENTS AND CONTINGENT LIABILITIES

Credit-related commitments

To meet the financial needs of customers, the Bank enters into various irrevocable commitments, guarantees and other contingent liabilities, which are mainly credit-related instruments including both financial and non-financial guarantees and commitments to extend credit. The letters of credit and guarantees (including the enhanced credits) and acceptances commit the Bank payments on behalf of customers if the customer fails to meet its obligations in accordance with the terms of the contract. Even though these obligations may not be recognized on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank.

Nominal principal amounts represent the amount at risk should the contracts be fully drawn upon and clients default. As a significant portion of guarantees and commitments is expected to expire without being withdrawn, the total of the nominal principal amount is not indicative of future liquidity requirements.

The table below discloses the nominal principal amounts of credit-related commitments and contingent liabilities.

	2025 Customers LL million	*2024 Customers LL million*
Guarantees and contingent liabilities		
Financial guarantees	**15,942**	15,942
Commitments		
Other commitments	**1,790**	1,790
	1,790	1,790
	17,732	17,732

24 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Credit-related commitments (continued)

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

- Financial guarantees given to banks and financial institutions on behalf of customers to secure loans, overdrafts, and other banking facilities; and
- Non financial guarantees provided include mainly performance guarantees and retention guarantees.

Undrawn credit lines
Undrawn credit lines are agreements to lend a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period, or have no specific maturity but are cancellable by the lender subject to notice requirements.

Legal claims
Litigation is a common occurrence in the banking industry due to the nature of the business. The Bank has an established protocol for dealing with such claims, many of which are beyond its control. The extent of the impact of these matters cannot always be predicted but may materially impact the Bank's operations, financial results, condition and prospects. However, once professional advice has been obtained and the amount of damages reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. Based on advice from legal counsel, and despite the novelty of certain claims and the uncertainties inherent in their unique situation, Management believes that legal claims will not result in any material financial loss to the Bank, except as provided for in the financial statements, however they may have an impact on the offshore liquidity of the Bank, its foreign assets, and its foreign currency exposure.

Other contingencies
Certain areas of the Lebanese tax legislation are subject to different interpretations in respect of the taxability of certain types of financial transactions and activities. The Bank's books are still subject to review by the Department of Income Tax for the years from 2019 to 2025 (inclusive). The Bank's books have been reviewed by the National Social Security Fund for the period from 1 January 2002 to 31 December 2023 (inclusive). The review resulted in additional taxes of LL 2,092 million and additional penalties amounting to LL 2,817 million. On 10 July 2024, the Bank paid the total balance amounting to LL 4,909 million. The Bank's books remain subject to the review of the National Social Security Fund (NSSF) for the period from 1 January 2024 to 31 December 2025.

Management believes that the effect of any review that might take place will not have a material effect on the Bank's financial statements.

25 ASSETS UNDER MANAGEMENT

	2025	*2024*
	LL million	*LL million*
Lebanese eurobonds	**622,025**	622,025
Lebanese treasury bills denominated in LL	-	115
Other securities	**150,000**	141,116
	772,025	763,256

The above Lebanese treasury bills, eurobonds and other securities are stated at nominal value.

26 EXPECTED CREDIT LOSSES

	2025						
	Balances with the Central Bank of Lebanon LL million	***Due from banks and financial institutions LL million***	***Due from head office, branches and affiliates LL million***	***Loans and advances to customers at amortised cost LL million***	***Financial assets at amortised cost LL million***	***Other assets LL million***	***Total LL million***
Balance as of 1 January	**147,314**	**1,803**	**5,925**	**96,164**	**1,006,929**	**475**	**1,258,610**
Impairment loss (write-back), net	**(1,213)**	**2,997**	**(324)**	**(32,566)**	**201,375**	**-**	**170,269**
Other movements	**-**	**-**	**-**	**3,509**	**-**	**-**	**3,509**
Balance as at 31 December	**146,101**	**4,800**	**5,601**	**67,107**	**1,208,304**	**475**	**1,432,388**

	2024						
	Balances with the Central Bank of Lebanon LL million	*Due from banks and financial institutions LL million*	*Due from head office, branches and affiliates LL million*	*Loans and advances to customers at amortised cost LL million*	*Financial assets at amortised cost LL million*	*Other assets LL million*	*Total LL million*
Balance as of 1 January	24,712	320	1,335	30,086	150,069	114	206,636
Impairment loss (write-back), net	77	320	(2,562)	(63,428)	111,517	-	45,924
Foreign exchange movement	122,525	1,163	7,152	144,309	745,343	361	1,020,853
Other movements	-	-	-	(14,803)	-	-	(14,803)
Balance as at 31 December	147,314	1,803	5,925	96,164	1,006,929	475	1,258,610

As at 31 December 2025, expected credit losses on Lebanese government bonds in foreign currency amounting to LL 201,321 million (2024: 402,696 million) will be recorded in the following year to reach 75% of the exposure, as permitted by Central Bank of Lebanon Basic Circular 44.

27 FAIR VALUE OF FINANCIAL INSTRUMENTS

The three levels of the fair value hierarchy are defined below.

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

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

Valuation technique using significant unobservable inputs – Level 3
Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs).

27.1 FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

The Bank does not carry financial assets or financial liabilities at fair value as at 31 December 2025 and 2024.

27.2 FAIR VALUE OF FINANCIAL INSTRUMENTS NOT HELD AT FAIR VALUE

Comparison of carrying and fair values for financial assets and liabilities not held at fair value:
Financial assets and liabilities consist of balances with the Central Bank of Lebanon, Lebanese government securities, loans and advances to customers and related parties and customer deposits in Lebanon. These are illiquid in nature and the measurement of their fair value is usually determined through discounted cash flow valuation models using observable market inputs, comprising of interest rates and yield curves, implied volatilities, and credit spreads. Due to the situation described in Note 1 and the unprecedent levels of uncertainty surrounding the economic crisis that Lebanon, and particularly the banking sector, is experiencing, management is unable to produce faithful estimation of the fair value of these financial assets and liabilities.

The carrying value of the other Bank's financial instruments (not concentrated in Lebanon) not measured at fair value is a reasonable approximation of their fair value.

28 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

31 December 2025

	Less than one year LL million	*More than one year LL million*	*Total LL million*
ASSETS			
Cash and balances with the Central Bank of Lebanon	**7,836,576**	**-**	**7,836,576**
Due from banks and financial institutions	**3,200,958**	**-**	**3,200,958**
Due from head office, branches and affiliates	**3,532,442**	**44,750**	**3,577,192**
Loans and advances to customers at amortized cost	**108,242**	**216,489**	**324,731**
Financial assets at amortized cost	**671,250**	**180,313**	**851,563**
Property and equipment	**-**	**820,612**	**820,612**
Other assets	**34,171**	**-**	**34,171**
TOTAL ASSETS	**15,383,639**	**1,262,164**	**16,645,803**

28 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

31 December 2025

	Less than one year LL million	***More than one year LL million***	***Total LL million***
LIABILITIES			
Due to head office, branches and affiliates	**2,145**	**-**	**2,145**
Due to banks and financial institutions	**224,221**	**-**	**224,221**
Customers' deposits at amortized cost	**12,754,411**	**305**	**12,754,716**
Related parties' deposits at amortized cost	**180,130**	**-**	**180,130**
Other liabilities	**267,066**	**-**	**267,066**
Provisions for risks and charges	**-**	**264,170**	**264,170**
TOTAL LIABILITIES	**13,427,973**	**264,475**	**13,692,448**
NET	**1,955,666**	**997,689**	**2,953,355**

31 December 2024

	Less than one year LL million	*More than one year LL million*	*Total LL million*
ASSETS			
Cash and balances with the Central Bank of Lebanon	7,870,953	-	7,870,953
Due from banks and financial institutions	1,200,766	-	1,200,766
Due from head office, branches and affiliates	3,945,532	-	3,945,532
Loans and advances to customers at amortized cost	99,955	315,729	415,684
Loans and advances to related parties at amortized cost	-	785	785
Financial assets at amortized cost	872,571	179,755	1,052,326
Property and equipment	-	396,108	396,108
Other assets	34,372	-	34,372
TOTAL ASSETS	14,024,149	892,377	14,916,526
LIABILITIES			
Due to head office, branches and affiliates	2,521	-	2,521
Customers' deposits at amortized cost	11,162,051	75	11,162,126
Related parties' deposits at amortized cost	185,535	-	185,535
Other liabilities	256,619	-	256,619
Provisions for risks and charges	-	295,033	295,033
TOTAL LIABILITIES	11,606,726	295,108	11,901,834
NET	2,417,423	597,269	3,014,692

29 RISK MANAGEMENT

29.1 INTRODUCTION

The Bank manages its business activities within risk management guidelines as set by the board of directors. The Bank recognizes the role of the board of directors and executive management in the risk management process. In particular, it is recognized that the ultimate responsibility for establishment of an effective risk management culture and practices lies within the Board of Directors as does the setting up of Bank's risk appetite and tolerance levels. The Board of Directors delegates through its Country Risk Committee the day–to–day responsibility for establishment and monitoring of risk management process across the Bank to the head of risk management, who is directly appointed by the board of directors, in coordination with executive management at the Bank.

29 RISK MANAGEMENT (continued)

29.1 INTRODUCTION (continued)

The Bank is exposed to credit risk, liquidity risk, market risk, operational risks and other risks such as concentration risk, reputation risk, political risk and business/strategic risk.

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

The Country Risk Committee undertakes its responsibilities and helps executive management in controlling and actively managing the Bank overall risk. The Committee mainly ensures that:

- Risk policies and methodologies are consistent with Bank's risk appetite.
- Limits and risk across banking activities are monitored throughout the Bank.

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

29.2 CREDIT RISK

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits. In addition, the Bank obtains securities where appropriate.

Credit risk is monitored by the credit risk department of the Bank's Risk Controlling Unit. It is their responsibility to review and manage credit risk, including environmental and social risk for all types of counterparties. Credit risk consists of line credit risk managers who are responsible for their business lines and manage specific portfolios and experts who support both the line credit risk manager, as well as the business with tools like credit risk systems, policies, models and reporting.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

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

Assessment of expected credit losses

29.2.1 Definition of default and cure

The Bank considers a financial asset to be in default and therefore Stage 3 (credit-impaired) for ECL calculations when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is past due more than 90 days on any material credit obligation to the Bank;
- borrower is considered as credit-impaired based on qualitative assessment for internal credit risk Management purposes
- retail facilities from commencement of legal recourse

29 RISK MANAGEMENT (continued)

29.2 CREDIT RISK (continued)

Assessment of expected credit losses (continued)

29.2.1 Definition of default and cure (continued)
Any credit impaired or stressed facility that has been restructured would also be considered in default.
The Bank considers investments and interbank balances as in default when the coupon or principal payment is past due for 1 day. The Bank considers externally-rated portfolio with ratings ‘D’ from S&P and Fitch, and ‘C’ from Moody’s as defaulted.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

The Bank considers a variety of indicators that may indicate unlikeliness to pay as part of a qualitative assessment of whether a customer is in default. Such indicators include:

- breaches of covenants
- borrower having past due liabilities to public creditors or employees
- borrower is deceased

The Bank considers a financial asset as ‘cured’ (i.e. no longer be in default) and therefore reclassified out of stage 3 when it no longer meets any of the default criteria. In respect of restructured facilities which are classified in stage 3, these would be required to complete the moratorium period (if any) and meet the scheduled payments (all on current basis) for at least 1 year (except for retail facilities), or as determined by the Bank for consideration for classifying the facility in stage 2/stage 1.

29.2.2 Significant increase in credit risk
The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Bank assesses as whether there has been a significant increase in credit risk since initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk.

The Bank considers a financial instrument with an external rating of “investment grade” as at the reporting date to have low credit risk. In addition to the above quantitative criteria, the Bank applies qualitative criteria for the assessment of significant increase in credit risk based on monitoring of certain early warning signals.

29.2.3 Measurement of ECLs
ECLs are probability-weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Cash shortfall represents the difference between cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive. The key elements in the measurement of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Bank estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward-looking macro-economic scenarios, etc. The Bank calculates ECL on credit facilities classified in stage 3 at 100% of the defaulted exposure net of the value of eligible collaterals after applying applicable haircuts.

29 RISK MANAGEMENT (continued)

29.2 CREDIT RISK (continued)

Assessment of expected credit losses (continued)

29.2.4 The Bank's internal rating and PD estimation process
In managing its portfolio, the Bank utilises ratings and other measures and techniques which seek to take account of all aspects of perceived risk. The Bank uses industry-standard rating tools for assessing ratings/ scores that are leveraged for PD estimation process. The tool provides the ability to analyze a business and produce risk ratings at both the obligor and facility levels. The analysis supports the usage of financial factors as well as non-financial subjective factors. The Bank also uses external ratings by recognised rating agencies for externally-rated portfolios.

The Probability of Default (PD) is the likelihood that an obligor will default on its obligations in the future. IFRS 9 requires the use of separate PD for a 12-month duration and lifetime duration depending on the stage allocation of the obligor. A PD used for IFRS 9 should reflect the Bank's estimate of the future asset quality. The through the cycle (TTC) PDs are generated from the rating tool based on the internal/external credit ratings. The Bank converts the TTC PDs to a point-in-time (PIT) PD term structures using appropriate models and techniques.

The Bank assesses the PD for its retail portfolio through behavioural scorecards. The Consumer portfolio is further segmented statistically and risk pools with shared risk characteristics are addressed with different scorecards relevant for each of the risk pool. The segmentation is based on demographic, behavioural and financial variables which distinctly rank order risk. The scorecards were developed using statistical techniques. Executing the scorecard will return an associated PD value for each of the facility. The term structure PDs are then derived using a base PD.

Central Banks and Sovereigns
For central banks and sovereigns' exposures, ratings from recognised external rating agencies are used and mapped to their corresponding PDs as reported by these agencies. These ratings with their corresponding PDs are monitored and updated on a regular basis. As per BDL Intermediate Circular 649 issued on 24 November 2022, provision coverages on exposures to Lebanese sovereign bonds and Central Bank of Lebanon in foreign currency should reach 75% by December 2026 (up from 45% as per Intermediate Circular 567 dated issued on 26 August 2020) and 1.89% respectively. Regulatory ECLs on exposure to Lebanese sovereign bonds in local currency and exposure to Central Bank of Lebanon in local currency are set to 0%.

Due to the high levels of uncertainties, the lack of observable indicators, and the lack of visibility on the Lebanese government's reform plans with respect to, among other, the exposures to the Central Bank of Lebanon, the Bank was unable to estimate in a reasonable manner ECL on these exposures and accordingly, as applicable, the loss rate mentioned in BDL Basic Circular 44 was adopted. As at 31 December 2025, the Bank's ECL on exposures to Lebanese sovereign bonds in foreign currency amounted to LL 1,208,304 million. The remaining ECL required to reach 75% amounting to LL 201,321 million will be amortized during the coming year. ECL on exposures to the Central Bank of Lebanon in foreign currency reached 1.89% as at 31 December 2023.

29.2.5 Exposure at default
Exposure at default (EAD) represents the amount which the obligor will owe to the Bank at the time of default. The Bank considers variable exposures that may increase the EAD in addition to the drawn credit line. These exposures arise from undrawn limits and contingent liabilities. Therefore, the exposure will contain both on and off balance sheet values. EAD is estimated taking into consideration the contractual terms such as coupon rates, frequency, reference curves, maturity, pre-payment options, amortization schedule, credit conversion factors, etc. EAD for retail loans incorporate repayment assumptions whereas for credit portfolio, credit conversion factors are applied to estimate the future drawdowns.

29 RISK MANAGEMENT (continued)

29.2 CREDIT RISK (continued)

Assessment of expected credit losses (continued)

29.2.6 Loss given default
Loss given default (LGD) is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

29.2.7 Incorporation of forward-looking information
The Bank considers various key economic variables which reflect the continuing uncertainties and other emerging risks, which may be expected to have an impact on the credit risk and the ECL when incorporating forward looking information into the ECL models. Key economic variables include, but not limited to gross domestic product, equity price index and oil prices. Together, they provide reasonable indications and forecasts of future macro-economic conditions. The consideration of such factors increases the degree of judgement in determination of ECL. The Bank employs statistical models which incorporate the effect of macro-economic factors to adjust historical TTC PDs to arrive at the PiT PDs. The Bank considers 3 scenarios (baseline, upside and downside) of forecasts of macro-economic data separately for designated geographies and segments, and appropriate probability weights are applied to these scenarios to derive a probability weighted outcome of expected credit loss. The impact of ECL is not material. The Management reviews the methodologies and assumptions including any forecasts of future economic conditions on a regular basis.

Geographical location analysis and industry sector analysis:
The Bank controls credit risk by maintaining close monitoring credit of its assets exposures by geographic location and industry sector. The distribution of assets items by geographic region and industry sector as of 31 December was as follows:

Geographical location analysis

	31 December 2025		
	Lebanon LL million	***Overseas LL million***	***Total LL million***
Balances with Central Bank of Lebanon	**7,618,264**	**-**	**7,618,264**
Due from banks and financial institutions	**-**	**3,200,958**	**3,200,958**
Due from head office, branches and affiliates	**-**	**3,577,192**	**3,577,192**
Loans and advances to customers at amortized cost	**215,407**	**109,324**	**324,731**
Financial assets at amortized cost	**671,250**	**180,313**	**851,563**
Total	**8,504,921**	**7,067,787**	**15,572,708**

	31 December 2024		
	Lebanon LL million	*Overseas LL million*	*Total LL million*
Balances with Central Bank of Lebanon	7,575,637	-	7,575,637
Due from banks and financial institutions	-	1,200,766	1,200,766
Due from head office, branches and affiliates	-	3,945,532	3,945,532
Loans and advances to customers at amortized cost	306,660	109,024	415,684
Financial assets at amortized cost	872,571	179,755	1,052,326
Total	8,754,868	5,435,077	14,189,945

29 RISK MANAGEMENT (continued)

29.2 CREDIT RISK (continued)

Geographical location analysis and industry sector analysis: (continued)

Industry sector analysis

	31 December 2025				
	Sovereign LL million	***Financial service LL million***	***Consumer loans LL million***	***Consumer goods trading LL million***	***Total LL million***
Balances with Central Bank of Lebanon	**7,618,264**	-	-	-	**7,618,264**
Due from banks and financial institutions	-	**3,200,958**	-	-	**3,200,958**
Due from head office, branches and affiliates	-	**3,577,192**	-	-	**3,577,192**
Loans and advances to customers at amortized cost	-	-	**104,921**	**219,810**	**324,731**
Financial assets at amortized cost	**851,563**	-	-	-	**851,563**
Total	**8,469,827**	**6,778,150**	**104,921**	**219,810**	**15,572,708**

	31 December 2024				
	Sovereign LL million	*Financial service LL million*	*Consumer loans LL million*	*Consumer goods trading LL million*	*Total LL million*
Balances with Central Bank of Lebanon	7,575,637	-	-	-	7,575,637
Due from banks and financial institutions	-	1,200,766	-	-	1,200,766
Due from head office, branches and affiliates	-	3,945,532	-	-	3,945,532
Loans and advances to customers at amortized cost	-	-	106,185	309,499	415,684
Financial assets at amortized cost	1,052,326	-	-	-	1,052,326
Total	8,627,963	5,146,298	106,185	309,499	14,189,945

Analysis of risk concentrations

Credit quality and maximum exposure to credit risk analysis
In managing its portfolio, the Bank utilizes rating and other measures and techniques which seek to take account of all aspects of perceived risk. Credit exposures classified as “High” quality are those where the ultimate risk of financial loss from the obligor’s failure to discharge its obligation is assessed to be low. These include facilities to corporate entities with financial condition, risk indicators and capacity to repay which are considered to be good to excellent. Credit exposures classified as “Standard” quality comprise all other facilities whose payment performance is fully compliant with contractual conditions and which are not “impaired”. The ultimate risk of possible financial loss on “Standard” quality is assessed to be higher than that for the exposures classified within the “High” quality range.

29 RISK MANAGEMENT (continued)

29.2 CREDIT RISK (continued)

Analysis of risk concentrations (continued)

Credit quality and maximum exposure to credit risk analysis (continued)

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	2025				*2024*			
	Stage 1 LL million	*Stage 2 LL million*	*Stage 3 LL million*	*Total LL million*	*Stage 1 LL million*	*Stage 2 LL million*	*Stage 3 LL million*	*Total LL million*
Balances with the Central Bank of Lebanon	-	-	7,764,366	7,764,366	-	-	7,722,951	7,722,951
Individually impaired	-	-	*7,764,366*	*7,764,366*	-	-	*7,722,951*	*7,722,951*
Due from banks and financial institutions	3,205,758	-	-	3,205,758	1,202,569	-	-	1,202,569
High grade	*3,205,758*	-	-	*3,205,758*	*1,202,569*	-	-	*1,202,569*
Due from head office, branches and affiliates	3,582,794	-	-	3,582,794	3,951,457	-	-	3,951,457
High grade	*3,582,794*	-	-	*3,582,794*	*3,951,457*	-	-	*3,951,457*
Financial assets at amortised cost	180,367	-	1,879,500	2,059,867	179,755	-	1,879,500	2,059,255
Lebanese sovereign								
Individually impaired	-	-	*1,879,500*	*1,879,500*	-	-	*1,879,500*	*1,879,500*
Other sovereign								
High grade	*180,367*	-	-	*180,367*	*179,755*	-	-	*179,755*
Loans and advances to customers at amortised cost								
Commercial	115,258	243,546	33,034	391,838	57,263	425,023	29,562	511,848
Standard grade	-	*243,546*	-	*243,546*	-	*341,808*	-	*341,808*
Consumer								
Standard grade	*115,258*	-	-	*115,258*	*57,263*	-	-	*57,263*
Individually impaired	-	-	*33,034*	*33,034*	-	*83,215*	*29,562*	*112,777*
Loans and advances to related parties at amortised cost	-	-	-	-	-	785	-	785
Standard grade	-	-	-	-	-	*785*	-	*785*
Financial guarantees and other commitments	-	17,731	-	17,731	-	17,732	-	17,732
Financial guarantees								
Standard grade	-	*15,941*	-	*15,941*	-	*15,942*	-	*15,942*
Undrawn credit lines								
Standard grade	-		-		-	-	-	-
Other commitments								
Standard grade	-	*1,790*	-	*1,790*	-	*1,790*	-	*1,790*
Total	7,084,177	261,277	9,676,900	17,022,354	5,391,044	443,540	9,632,013	15,466,597

29 RISK MANAGEMENT (continued)

29.2 CREDIT RISK (continued)

Financial assets and ECLs by stage

The tables below present an analysis of financial assets at amortised cost by gross exposure and impairment allowance by stage allocation as at 31 December 2025 and 2024. The Bank does not hold any material purchased or originated credit-impaired assets as at year-end.

	Gross exposure				*Impairment allowance*				*Net*
31 December 2025	***Stage 1 LL million***	***Stage 2 LL million***	***Stage 3 LL million***	***Total LL million***	***Stage 1 LL million***	***Stage 2 LL million***	***Stage 3 LL million***	***Total LL million***	***exposure LL million***
Balances with the Central Bank of Lebanon	**-**	**-**	**7,764,366**	**7,764,366**	**-**	**-**	**146,101**	**146,101**	**7,618,265**
Due from banks and financial institutions	**3,205,758**	**-**	**-**	**3,205,758**	**4,800**	**-**	**-**	**4,800**	**3,200,958**
Due from head office, banks and affiliates	**3,582,793**	**-**	**-**	**3,582,793**	**5,601**	**-**	**-**	**5,601**	**3,577,192**
Loans and advances to customers at amortized cost	**115,258**	**243,546**	**33,034**	**391,838**	**2,612**	**31,465**	**33,030**	**67,107**	**324,731**
Commercial	***-***	***243,546***	***-***	***243,546***	***-***	***31,465***	***-***	***31,465***	***212,081***
Consumer	***115,258***	***-***	***33,034***	***148,292***	***2,612***	***-***	***33,030***	***35,642***	***112,650***
Financial assets at amortized cost	**180,367**	**-**	**1,879,500**	**2,059,867**	**54**	**-**	**1,208,250**	**1,208,304**	**851,563**
Financial guarantees and other commitments	**-**	**17,732**	**-**	**17,732**	**-**	**-**	**436**	**436**	**17,296**
Total	**7,084,176**	**261,278**	**9,676,900**	**17,022,354**	**13,067**	**31,465**	**1,387,817**	**1,432,349**	**15,590,005**

	Gross exposure				*Impairment allowance*				*Net*
31 December 2024	*Stage 1 LL million*	*Stage 2 LL million*	*Stage 3 LL million*	*Total LL million*	*Stage 1 LL million*	*Stage 2 LL million*	*Stage 3 LL million*	*Total LL million*	*exposure LL million*
Balances with the Central Bank of Lebanon	-	-	7,722,951	7,722,951	-	-	147,314	147,314	7,575,637
Due from banks and financial institutions	1,202,569	-	-	1,202,569	1,803	-	-	1,803	1,200,766
Due from head office, banks and affiliates	3,951,457	-	-	3,951,457	5,925	-	-	5,925	3,945,532
Loans and advances to customers at amortized cost	57,263	425,023	29,562	511,848	7,263	59,339	29,562	96,164	415,684
Commercial	-	*341,808*	-	*341,808*	-	*43,523*	-	*43,523*	*298,285*
Consumer	*57,263*	*83,215*	*29,562*	*170,040*	*7,263*	*15,816*	*29,562*	*52,641*	*117,399*
Loans and advances to related parties at amortized cost	-	785	-	785	-	-	-	-	785
Financial assets at amortized cost	179,755	-	1,879,500	2,059,255	54	-	1,006,875	1,006,929	1,052,326
Financial guarantees and other commitments	-	17,732	-	17,732	-	-	-	-	17,732
Total	5,391,044	443,540	9,632,013	15,466,597	15,045	59,339	1,183,751	1,258,135	14,208,462

29 RISK MANAGEMENT (continued)

29.2 CREDIT RISK (continued)

Collateral and other credit enhancements

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

Management monitors the market value of collateral in order to request additional collateral in case of a decline in market value and to estimate the recoverable amount during its review of the adequacy of the allowance for impairment losses.

The main types of collateral obtained are as follows:

Letters of credit / guarantees:

The Bank holds in some cases guarantees, letters of credit and similar instruments from banks and financial institutions which enable it to claim settlement in the event of default on the part of the counterparty. The balances shown represent the notional amount of these types of guarantees held by the Bank.

Real estate

The Bank holds in some cases a first-degree mortgage over residential property (for housing loans) and commercial property (for commercial loans). The value shown above reflects the fair value of the property limited to the related mortgaged amount.

Analysis of maximum exposure to credit risk and collateral and other credit enhancements

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

	2025						
	Maximum exposure LL million	*Cash collateral and margins LL million*	*Letters of guarantees LL million*	*Real estate guarantees LL million*	*Personal guarantees LL million*	*Other guarantees LL million*	*Net credit exposure LL million*
Balances with the Central Bank of Lebanon	**7,618,264**	-	-	-	-	-	**7,618,264**
Due from banks and financial institutions	**3,200,958**	-	-	-	-	-	**3,200,958**
Due from head office, branches and affiliates	**3,577,192**	-	-	-	-	-	**3,577,192**
Loans and advances to customers at amortized cost:	**333,191**	**1,969**	-	**110,681**	-	-	**333,191**
Commercial loans	***220,541***	-	-	-	-	-	***220,541***
Consumer loans	***112,650***	***1,969***	-	***110,681***	-	-	-
Financial assets at amortized cost	**851,563**	-	-	-	-	-	**851,563**
Financial guarantees	**15,941**	**10,931**	-	-	-	-	**5,010**
Other commitments	**1,790**	-	-	-	-	-	**1,790**
Total	**15,932,090**	**12,900**	-	**110,681**	-	-	**15,808,509**
Utilized collateral	-	**136**	-	**1,647**	-	-	**1,783**
Surplus of collateral before undrawn credit lines	-	**8**	-	**1,016**	-	-	**1,024**
Total collateral	-	**144**	-	**2,663**	-	-	**2,807**

	2024						
	Maximum exposure LL million	*Cash collateral and margins LL million*	*Letters of guarantees LL million*	*Real estate guarantees LL million*	*Personal guarantees LL million*	*Other guarantees LL million*	*Net credit exposure LL million*
Balances with the Central Bank of Lebanon	7,575,637	-	-	-	-	-	7,575,637
Due from banks and financial institutions	1,200,766	-	-	-	-	-	1,200,766
Due from head office, branches and affiliates	3,945,532	-	-	-	-	-	3,945,532
Loans and advances to customers at amortized cost:	415,684	120	-	100,419	-	-	315,145
Commercial loans	*309,499*	-	-	-	-	-	*309,499*
Consumer loans	*106,185*	*120*	-	*100,419*	-	-	*5,646*
Loans and advances to related parties at amortized cost	785	-	-	-	-	-	785
Financial assets at amortized cost	1,052,326	-	-	-	-	-	1,052,326
Financial guarantees	15,942	-	-	-	-	-	15,942
Other commitments	1,790	-	-	-	-	-	1,790
Total	14,208,462	120	-	100,419	-	-	14,107,923
Utilized collateral	-	64	-	93,372	-	-	93,436
Surplus of collateral before undrawn credit lines	-	56	-	7,037	-	-	7,093
Total collateral	-	120	-	100,409	-	-	100,529

29.3 LIQUIDITY RISK

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

29 RISK MANAGEMENT (continued)

29.3 LIQUIDITY RISK (continued)

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

The Bank manages liquidity at each entity level independently and recognizes that its ability to meet its liquidity requirements, including its international commitments, may come under increasing pressure under a deteriorating operating environment. Following October 2019 events, the Bank's foreign currency liquidity in Lebanon was subject to an unprecedented pressure, which led Management to implement a series of remedial measures to contain the situation.

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

Monitoring process

Daily

Due to the economic crisis, it is more important to monitor cash flows and highly liquid assets, specially balances in foreign currencies with banks outside Lebanon, along with the supervisory liquidity ratios, because those will ensure the uninterrupted operation of the Bank's activities. On a daily basis, the Bank's Treasury prepares the report of highly liquid assets showing the change in the position compared to the previous day and submits it to the management in Lebanon and Kuwait. Also, the Bank Treasury monitors daily the inflows and outflows in the main currencies used by the Bank.

Monthly

The Bank's Treasury prepares a monthly report of expected outflows for the current and next quarter as well as of highly liquid assets held during the reported periods. This report is submitted to the Central Bank of Lebanon. Also, the Financial Controller prepares tables indicating compliance with internal and regulatory liquidity ratios for the Bank and submits them to the management in Lebanon.

Quarterly

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

Periodic

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

Moreover, annually, the bank carries out liquidity stress testing in its ICAAP with the support of the Bank Risk in Kuwait.

As part of the Bank's procedures for monitoring and managing liquidity risk, there is a Bank funding crisis contingency plan, which sets out a response in the event of liquidity difficulties. The plan details the steps to be taken, in the event that liquidity problems arise, which escalate to a meeting of the management.

Liquidity ratios

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general, and specifically to the Bank. In Lebanon and since October 2019 events, the Bank monitors on a daily basis the ratio of available international foreign currency liquidity to international commitments over various time horizons.

Since the onset of the Lebanese crisis, the Central Bank of Lebanon has introduced various requirements. Among these measures, Lebanese banks are required to maintain international liquidity in the form of banknotes, current account balances with foreign correspondent banks (free of any obligation) and investment-grade international bonds in excess of 100% of external account deposits and other international commitments (including issued letter of credits and letter of guarantees in international dollars). Additionally, Lebanese banks should maintain a minimum net free liquidity balance (after covering external accounts and international commitments previously mentioned), in addition to the fair value of Lebanese Eurobonds holding in excess of 3% of their total foreign-currency deposits (excluding external accounts) as at 30 June 2025. Banks whose situation is incompatible with the provisions of the paragraph above are granted a time-limit ending on 30 June 2026 to adjust their situation accordingly.

29 RISK MANAGEMENT (continued)

29.3 LIQUIDITY RISK (continued)

Sources of funding

Customer deposits were the main funding source of the Bank as at 31 December 2025 and 2024. The distribution of sources and the maturity of deposits are actively monitored in order to avoid concentration of funding maturing at any point in time or from a large number of depositors.

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

	Loans to Deposits	
	2025	*2024*
	%	%
Year-end	**2.59**	4.50
Maximum	**3.66**	4.82
Minimum	**2.59**	4.50
Average	**3.16**	4.67

29.3.1 Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Bank's financial assets and liabilities as of 31 December based on contractual repayment obligations. As the special commission payments up to contractual maturity are included in the table, totals do not match with the statement of financial position. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date and do not take into account the effective expected maturities.

Repayments which are subject to notice are treated as if notice were being given immediately. The table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

	2025					
	Up to 1 month LL million	*1 to 3 months LL million*	*3 to 12 months LL million*	*1 to 5 years LL million*	*Over 5 years LL million*	*Total LL million*
Financial assets						
Cash and balances with the Central Bank of Lebanon	**7,836,576**	**-**	**-**	**-**	**-**	**7,836,576**
Due from banks and financial institutions	**2,663,958**	**537,000**	**-**	**-**	**-**	**3,200,958**
Due from head office, branches, and affiliates	**3,442,942**	**89,500**	**-**	**44,750**	**-**	**3,577,192**
Loans and advances to customers at amortized cost	**1,295**	**26,850**	**82,382**	**191,410**	**22,794**	**324,731**
Financial assets at amortized cost	**671,250**	**-**	**-**	**180,313**	**-**	**851,563**
Other assets	**34,171**	**-**	**-**	**-**	**-**	**34,171**
Total financial assets	**14,650,192**	**653,350**	**82,382**	**416,473**	**22,794**	**15,825,191**
Financial liabilities						
Due to head office, branches and affiliates	**2,145**	**-**	**-**	**-**	**-**	**2,145**
Due to banks and financial institutions	**137,406**	**86,815**	**-**	**-**	**-**	**224,221**
Customer's deposits at amortized cost	**11,654,901**	**576,517**	**523,298**	**-**	**-**	**12,754,716**
Related parties' deposits at amortized cost	**180,130**	**-**	**-**	**-**	**-**	**180,130**
Total financial liabilities	**11,974,582**	**663,332**	**523,298**	**-**	**-**	**13,161,212**

29 RISK MANAGEMENT (continued)

29.3 LIQUIDITY RISK (continued)

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

	2024					
	Up to 1 month LL million	*1 to 3 months LL million*	*3 to 12 months LL million*	*1 to 5 years LL million*	*Over 5 years LL million*	*Total LL million*
Financial assets						
Cash and balances with the Central Bank of Lebanon	7,870,953	-	-	-	-	7,870,953
Due from banks and financial institutions	126,766	1,074,000	-	-	-	1,200,766
Due from head office, branches, and affiliates	3,945,532	-	-	-	-	3,945,532
Loans and advances to customers at amortized cost	593	24,668	74,694	294,961	20,768	415,684
Loans and advances to related parties at amortized cost	-	-	-	785	-	785
Financial assets at amortized cost	872,571	-	-	179,755	-	1,052,326
Other assets	34,372	-	-	-	-	34,372
Total financial assets	12,850,787	1,074,056	856	573,951	20,768	14,520,418
Financial liabilities						
Due to head office, branches and affiliates	2,521	-	-	-	-	2,521
Customer's deposits at amortized cost	9,737,468	435,910	988,748	-	-	11,162,126
Related parties' deposits at amortized cost	185,535	-	-	-	-	185,535
Total financial liabilities	9,925,524	435,910	988,748	-	-	11,350,182

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments:

	2025						
	On demand LL million	***Up to 1 month LL million***	***1 to 3 months LL million***	***3 to 12 months LL million***	***1 to 5 years LL million***	***Over 5 years LL million***	***Total LL million***
Guarantees given to customers	**-**	**15**	**336**	**14,526**	**-**	**1,064**	**15,941**
Total	**-**	**15**	**336**	**14,526**	**-**	**1,064**	**15,941**

	2024						
	On demand LL million	*Up to 1 month LL million*	*1 to 3 months LL million*	*3 to 12 months LL million*	*1 to 5 years LL million*	*Over 5 years LL million*	*Total LL million*
Guarantees given to customers	-	-	336	14,542	-	1,064	15,942
Total	-	-	336	14,542	-	1,064	15,942

The Bank expects that not all of the contingent liabilities or commitments will be demanded before maturity.

29.4 MARKET RISK

Market risk arises from fluctuations in interest rates and foreign exchanges rates. The board of directors has set limits on the value of risk that may be accepted. This is monitored on a monthly basis by the Assets and Liabilities Committee in Kuwait.

29 RISK MANAGEMENT (continued)

29.4 MARKET RISK (continued)

29.4.1 INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Bank is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets, liabilities and financial instruments presented as off-financial position items. The Bank has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods. The Bank employs hedging activities, utilising derivative instruments to ensure positions are maintained within the established limits.

The effective interest rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortized cost and a current market rate for a floating rate instrument or an instrument carried at fair value.

Interest rate sensitivity

The table below shows the sensitivity of interest income to 1% parallel changes in interest rates, all other variables being held constant.

The impact of interest rate changes on net interest income is due to assumed changes in interest paid and received on floating rate financial assets and liabilities and to the reinvestment or refunding of fixed rated financial assets and liabilities at the assumed rates. Given the prolonged nature of the Lebanese crisis and related high level of uncertainties, the Bank expects the low interest rates environment to potentially prevail in Lebanon during 2025. The Bank is also unable to determine what would be a reasonably possible change in interest rates. The Central Bank of Lebanon has already decreased interest rates through its various Intermediate Circulars. The change in interest income is calculated over a 1-year period.

Currency	***Changes in basis points***	***2025 Net profit (loss) LL million***	*2024 Net profit (loss) LL million*
Lebanese Lira	**-100**	**(135)**	(148)
US Dollars	**-100**	**(52,577)**	(58,419)

The table below analyses the Bank's interest rate risk exposure on non-trading financial assets and liabilities. The Bank's assets and liabilities are included at carrying amount and categorized by the earlier of contractual re-pricing maturity dates.

31 December 2025	*Up to 3 months LL million*	*3 to 6 months LL million*	*6 months to 1 year LL million*	*1 to 3 years LL million*	*Over 3 years LL million*	*Non-interest bearing Items LL million*	*Total LL million*
ASSETS							
Cash and balances with the Central Bank of Lebanon	-	-	-	-	-	**7,836,576**	**7,836,576**
Due from banks and financial institutions	**2,950,886**	-	-	-	-	**250,072**	**3,200,958**
Due from head office, branches and affiliates	**3,397,122**	-	-	-	-	**180,070**	**3,577,192**
Loans and advances to customers at amortized cost	**228,515**	**32,072**	**64,144**	-	-	-	**324,731**
Financial assets at amortized cost	**671,250**	-	-	-	**180,313**	-	**851,563**
Property and equipment	-	-	-	-	-	**820,612**	**820,612**
Other assets	-	-	-	-	-	**34,171**	**34,171**
TOTAL	**7,247,772**	**32,072**	**64,144**	-	**180,313**	**9,121,502**	**16,645,803**
LIABILITIES							
Due to head office, branches and affiliates	-	-	-	-	-	**2,145**	**2,145**
Due to banks and financial institutions	**221,731**				-	**2,490**	**224,221**
Customers' deposits at amortized cost	**1,189,755**	**303,144**	**519,178**	-	-	**10,742,639**	**12,754,716**
Related parties' deposits at amortized cost	**24,333**	-	-	-	-	**155,797**	**180,130**
Other liabilities	**218,908**	-	-	-	-	**48,158**	**267,066**
Provisions for risks and charges	-	-	-	-	-	**264,170**	**264,170**
Equity	-	-	-	-	-	**2,953,355**	**2,953,355**
TOTAL	**1,654,727**	**303,144**	**519,178**	-	-	**14,168,754**	**16,645,803**
Total interest rate sensitivity gap	**5,593,045**	**(271,072)**	**(455,034)**	-	**180,313**	**(5,047,252)**	-
Accumulated total interest rate sensitivity gap	**5,593,045**	**5,321,973**	**4,866,939**	**4,866,939**	**5,047,252**	-	-

29 RISK MANAGEMENT (continued)

29.4 MARKET RISK (continued)

29.4.1 INTEREST RATE RISK (continued)

Interest rate sensitivity (continued)

31 December 2024	*Up to 3 months LL million*	*3 to 6 months LL million*	*6 months to 1 year LL million*	*1 to 3 years LL million*	*Over 3 years LL million*	*Non-interest bearing Items LL million*	*Total LL million*
ASSETS							
Cash and balances with the Central Bank of Lebanon	-	-	-	-	-	7,870,953	7,870,953
Due from banks and financial institutions	1,072,461	-	-	-	-	128,305	1,200,766
Due from head office, branches and affiliates	3,772,242	-	-	-	-	173,290	3,945,532
Loans and advances to customers at amortized cost	381,294	-	34,390	-	-	-	415,684
Loans and advances to related parties at amortized cost	-	-	-	785	-	-	785
Financial assets at amortized cost	872,571	-	-	-	179,755	-	1,052,326
Property and equipment	-	-	-	-	-	396,108	396,108
Other assets	-	-	-	-	-	34,372	34,372
TOTAL	6,098,568	-	34,390	785	179,755	8,603,028	14,916,526
LIABILITIES							
Due to head office, branches and affiliates	-	-	-	-	-	2,521	2,521
Customers' deposits at amortized cost	886,557	319,964	532,409	-	-	9,423,196	11,162,126
Related parties' deposits at amortized cost	185,535	-	-	-	-	-	185,535
Other liabilities	-	-	-	-	-	256,619	256,619
Provisions for risks and charges	-	-	-	-	-	295,033	295,033
Equity	-	-	-	-	-	3,014,692	3,014,692
TOTAL	1,072,092	319,964	532,409	-	-	12,992,061	14,916,526
Total interest rate sensitivity gap	5,026,476	(319,964)	(498,019)	785	179,755	(4,389,032)	-
Accumulated total interest rate sensitivity gap	5,026,476	4,706,512	4,208,493	4,209,278	4,389,032	-	

29.4.2 CURRENCY RISK

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

The Bank views itself as a Lebanese entity with the Lebanese Lira as its functional currency.

As disclosed in Note 1, the Bank's assets and liabilities in foreign currencies are valued at the official published exchange rate which does not always represent a reasonable estimate of cash flows in Lebanese Pounds that would have to be generated/used from the realisation of such assets or the payment of such liabilities.

The following statement of financial position tables as of 31 December are detailed in Lebanese Lira (LL) and foreign currencies (mainly in US dollars). Impairment allowances are reflected in the tables below in the currency in which they were recorded, which might differ from the original currency of the impaired asset:

31 December 2025	***Lebanese Lira***	***Foreign currencies***		
	LL million	***In US Dollars (000)***	***Equivalent to LL million***	***Total in LL million***
ASSETS				
Cash and balances with the Central Bank of Lebanon	**62,015**	**86,867**	**7,774,561**	**7,836,576**
Due from banks and financial institutions	**-**	**35,765**	**3,200,958**	**3,200,958**
Due from head office, branches and affiliates	**-**	**39,969**	**3,577,192**	**3,577,192**
Loans and advances to customers at amortized cost	**-**	**3,628**	**324,731**	**324,731**
Financial assets at amortized cost	**-**	**9,515**	**851,563**	**851,563**
Property and equipment	**820,612**	**-**	**-**	**820,612**
Other assets	**29,764**	**49**	**4,407**	**34,171**
TOTAL ASSETS	**912,391**	**175,793**	**15,733,412**	**16,645,803**

29 RISK MANAGEMENT (continued)

29.4 MARKET RISK (continued)

29.4.2 CURRENCY RISK (continued)

31 December 2025	***Lebanese Lira***	***Foreign currencies***		
		In	***Equivalent to***	***Total***
	LL million	***US Dollars (000)***	***LL million***	***in LL million***
LIABILITIES AND SHAREHOLDERS' EQUITY				
Due to head office, branches and affiliates	**-**	**24**	**2,145**	**2,145**
Due to banks and financial institutions	**-**	**2,505**	**224,221**	**224,221**
Customers' deposits at amortized cost	**99,812**	**141,396**	**12,654,904**	**12,754,716**
Related parties' deposits at amortized cost	**189**	**2,011**	**179,941**	**180,130**
Other liabilities	**39,339**	**2,544**	**227,728**	**267,066**
Provisions for risks and charges	**220,672**	**486**	**43,498**	**264,170**
Share capital – common shares	**40,020**	**-**	**-**	**40,020**
Cash contribution by a shareholder	**-**	**199**	**17,819**	**17,819**
Non-distributable reserves (legal and obligatory)	**264,333**	**-**	**-**	**264,333**
Distributable reserves	**2,318,433**	**-**	**-**	**2,318,434**
Revaluation reserve of lands and buildings	**791,241**	**-**	**-**	**791,241**
Net results of the financial year - gain	**(478,492)**	**-**	**-**	**(478,492)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,295,547**	**149,165**	**13,350,256**	**16,645,803**

31 December 2024	*Lebanese Lira*	*Foreign currencies*		
		In	*Equivalent to*	*Total*
	LL million	*US Dollars (000)*	*LL million*	*in LL million*
ASSETS				
Cash and balances with the Central Bank of Lebanon	67,398	87,191	7,803,555	7,870,953
Due from banks and financial institutions	-	13,416	1,200,766	1,200,766
Due from head office, branches and affiliates	-	44,084	3,945,532	3,945,532
Loans and advances to customers at amortized cost	1	4,645	415,683	415,684
Loans and advances to related parties at amortized cost	-	9	785	785
Financial assets at amortized cost	-	11,758	1,052,326	1,052,326
Property and equipment	396,108	-	-	396,108
Other assets	20,086	160	14,286	34,372
TOTAL ASSETS	483,593	161,263	14,432,933	14,916,526
LIABILITIES AND SHAREHOLDERS' EQUITY				
Due to head office, branches and affiliates	-	28	2,521	2,521
Customers' deposits at amortized cost	57,902	124,070	11,104,224	11,162,126
Related parties' deposits at amortized cost	-	2,073	185,535	185,535
Other liabilities	36,833	2,456	219,786	256,619
Provisions for risks and charges	253,147	468	41,886	295,033
Share capital – common shares	40,020	-	-	40,020
Cash contribution by a shareholder	-	199	17,819	17,819
Non-distributable reserves (legal and obligatory)	46,689	-	-	46,689
Distributable reserves	359,637	-	-	359,637
Revaluation reserve of lands and buildings	374,086	-	-	374,086
Net results of the financial year - gain	2,176,441	-	-	2,176,441
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3,344,755	129,294	11,571,771	14,916,526

Assets and liabilities in foreign currencies presented in the tables above include onshore assets and liabilities in foreign currencies, that are subject to de-facto capital controls, which is further explained in Note 1. These are held by entities operating in Lebanon and will be realized / settled without recourse to foreign currency cash and / or foreign bank accounts outside Lebanon ("fresh funds"). Hence these cannot be perceived to have an economic value equivalent to that of offshore foreign currency assets and liabilities and should be viewed and managed separately.

29 RISK MANAGEMENT (continued)

29.4 MARKET RISK (continued)

29.4.2 CURRENCY RISK (continued)

The tables below detail onshore assets and liabilities in foreign currencies:

	2025		
	US$ ***LL million***	***Others*** ***LL million***	***Total*** ***LL million***
ASSETS			
Cash and balances with the Central Bank of Lebanon	**7,348,364**	**102,912**	**7,451,276**
Loans and advances to customers at amortized cost	**324,731**	**-**	**324,731**
Financial assets at amortized cost	**671,250**	**-**	**671,250**
Other assets	**2,230**	**2,177**	**4,407**
TOTAL ASSETS	**8,346,575**	**105,089**	**8,451,664**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Customers' deposits at amortized cost	**9,897,106**	**232,593**	**10,129,699**
Related parties' deposits at amortized cost	**102,580**	**42,580**	**145,160**
Other liabilities	**227,720**	**8**	**227,728**
Provisions for risks and charges	**43,497**	**-**	**43,497**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**10,270,903**	**275,181**	**10,546,084**

	2024		
	US$ *LL million*	*Others* *LL million*	*Total* *LL million*
ASSETS			
Cash and balances with the Central Bank of Lebanon	7,322,253	92,085	7,414,338
Loans and advances to customers at amortized cost	415,683	-	415,683
Financial assets at amortized cost	872,571	-	872,571
Other assets	3,018	11,268	14,286
TOTAL ASSETS	8,613,525	103,353	8,716,878
LIABILITIES AND SHAREHOLDERS' EQUITY			
Customers' deposits at amortized cost	10,872,675	231,549	11,104,224
Related parties' deposits at amortized cost	139,189	43,442	182,631
Other liabilities	216,963	93	217,056
Provisions for risks and charges	41,886	-	41,886
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	11,270,713	275,084	11,545,797

29.4.3 PREPAYMENT RISK

Prepayment risk is the risk that the Bank will incur a financial loss because its customers and counterparties repay or request repayment earlier than expected, such as fixed rate housing loans when interest rate falls. The fixed rate assets of the Bank are not significant compared to the total assets. Moreover, other market conditions causing prepayment is not significant in the markets in which the Bank operates. Therefore, the Bank considers the effect of prepayment on net interest income is not material after taking into account the effect of any prepayment penalties.

29.5 OPERATIONAL RISK

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes.

29 RISK MANAGEMENT (continued)

29.6 LITIGATION RISK

The Bank may, from time to time, become involved in legal or arbitration proceedings which may affect its operations and results. Litigation risk arises from pending or potential legal claims against the Bank and in the event that legal issues are not properly dealt with by the Bank. Since 17 October 2019, the Bank has been subject to an increased litigation risk level as a result of the restrictive measures adopted by Lebanese banks. Management has carefully considered the impact of existing litigation and claims against the Bank in relation to these restrictive measures. There are still uncertainties related to the consequences of these restrictive measures, based on the current available information and the prevailing laws and local banking practices.

29.7 POLITICAL RISK

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

30 CAPITAL MANAGEMENT

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

Central Bank of Lebanon Intermediate Circular 567, issued on 26 August 2020, Intermediate Circular 649, issued on 24 November 2022, Intermediate Circular 659, issued on 21 January 2023, Intermediate Circular 685, issued on 28 December 2023, Intermediate Circular 689 issued on 2 February 2024, Intermediate Circular 726 issued on 6 February 2025, Intermediate Circular 740 issued on 29 August 2025, Intermediate Circular 741 issued on 10 September 2025, Intermediate Circular 754 issued on 9 January 2026 and Intermediate Circular 760 issued on 4 May 2026 introduced several key changes to the calculation of regulatory capital adequacy ratios. These changes include:

- Raising the regulatory expected credit loss level for Lebanese government securities in foreign currency and Lebanese government-related exposures in same currency from 9.45% to 45% initially and then again to 75% (the latter level to be reached by 31 December 2026). Regulatory ECL for other exposures remain unchanged. These levels remained applicable in 2025.

Type of financial instrument	***2025***	*2024*
Exposures to Central Bank of Lebanon in foreign currencies	**1.89%**	1.89%
Exposures to Central Bank of Lebanon in Lebanese Lira	**0%**	0%
Lebanese Government securities in foreign currencies	**75%**	75%
Lebanese Government securities in Lebanese Lira	**0%**	0%

- Requesting banks to increase their own funds (capital) by an amount equivalent to 20% of their Common Equity Tier 1 capital as of 31 December 2018, through issuing new foreign currency capital instruments, as well as other approaches that meet the criteria for inclusion as regulatory capital. The deadline for raising capital was initially set at 31 December 2020 but was later extended for the banking sector to 28 February 2021. The Central Bank of Lebanon's Central Council may exceptionally approve a bank's completion of 50% of the 20% required capital increase through the transfer of real estate assets owned by the shareholders to the concerned bank. However, these real estate assets must be liquidated during a 5-year period following regulatory approval date on this transaction.

30 CAPITAL MANAGEMENT (continued)

- Inclusion of gains from Foreign Currency Translation Adjustments in Common Equity Tier 1, effective from 2023 whereas regulation prior to amendments brought by Intermediate Circular 689 included only losses from Foreign Currency Translation Adjustments in Common Equity Tier 1 and 50% of gains in Tier 2 capital.

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

- Inclusion of 75% of revaluations gain of owned real estate properties under articles 153 and 154 of the Code of Money and Credit in Common Equity Tier 1 subject to Central Bank verification and completion by 31 December 2026. Revaluation must be in fresh USD and recorded in LBP at specified rates (LBP 1,507.5 to the US Dollar until 31 January 2023; LBP 15,000 to the US Dollar until 31 January 2024; LBP 89,500 to the US Dollar until 31 May 2025; and at the official platform rate from 1 June 2025 onward).

- Exceptionally during 2020 and 2021, allowing banks to draw down the 2.5% capital conservation buffer on condition of rebuilding it progressively starting 2022 by not less of 0.75% each year, to reach the minimum required level of 2.5% by the end of 2024. Following issuance of BDL Intermediate Circular 689, 740 and 760, Banks were once again allowed to draw down completely the 2.5% capital conservation buffer in 2023, 2024, 2025, and 2026.

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

- Exceptionally for 2020 and 2021, allowing the Bank to include provisions for expected credit losses on Stage 1 and 2 exposures, excluding those relating to Lebanese sovereign and the Central Bank of Lebanon, under regulatory Common Equity Tier 1 (previously only Stage 1 allowances were included in Tier 2 capital, subject to a 1.25% cap relative to credit risk-weighted assets). Such provisions included under CET 1 should be amortised over a period of 3 years starting 2022 and ending in 2024 by 25% yearly.

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

The following table shows the applicable regulatory capital ratios:

	Common Tier 1 Capital Ratio	***Tier 1 Capital Ratio***	***Total Capital Ratio***
31 December 2025			
Minimum required capital ratios (waiver from capital conservation buffer)	**4.50%**	**6.00%**	**8.00%**
With the full capital conservation buffer of 2.5% (applicable after 2026)	**7.00%**	**8.50%**	**10.50%**

	Common Tier 1 Capital Ratio	*Tier 1 Capital Ratio*	*Total Capital Ratio*
31 December 2024			
Minimum required capital ratios (waiver from capital conservation buffer)	4.50%	6.00%	8.00%
With the full capital conservation buffer of 2.5% (applicable after 2026)	7.00%	8.50%	10.50%

30 CAPITAL MANAGEMENT (continued)

	2025	*2024*
	LL million	*LL million*
Total capital	**2,768,613**	2,957,893
Risk weighted assets		
Credit risk	**7,277,469**	6,923,257
Market risk	**1,343,112**	1,821,255
Operational risk	**2,720,685**	2,647,515
Total risk weighted assets	**11,341,266**	11,392,027

The regulatory capital as of 31 December 2025 and 31 December 2024 is as follows:

	2025	*2024*
	LL million	*LL million*
Tier 1 capital	**2,755,545**	2,938,592
Of which: common Tier 1	***2,755,545***	*2,938,592*
Tier 2 capital	**13,068**	19,301
Total capital	**2,768,613**	2,957,893

The capital adequacy ratio as of 31 December 2025 and 31 December 2024 is as follows:

	2025	*2024*
	%	*%*
Capital adequacy – Common Tier 1	**24.41**	25.71
Capital adequacy – Tier 1	**24.41**	25.71
Capital adequacy – Total capital	**24.41**	25.94

The capital adequacy ratios as at 31 December 2025 and 31 December 2024 were calculated based on the recorded figures and do not take into consideration the adjustments that may result from the resolution of the uncertainties reflected in Note 1. Due to the high levels of uncertainties, the lack of observable reliable indicators, and the lack of visibility on the government's plans with respect to: (a) the high exposures of Lebanese banks with the Central Bank of Lebanon, (b) the Lebanese sovereign securities, and (c) the currency exchange mechanisms on foreign currencies subject to de facto capital controls, management is unable to estimate in a reasonable manner the impact of these matters on the Bank's capital adequacy. Management has concerns about the effects that the above matters will have on the capital of the Bank and the recapitalisation needs that may arise once the necessary adjustments are determined and recorded.

31 SUBSEQUENT EVENTS

Subsequent to the reporting date, geopolitical tensions in parts of the Middle East have increased. Starting February 2026, Lebanon experienced armed attacks that have escalated, causing widespread displacement and extensive damage to local establishments and infrastructure. This armed conflict, along with its spillover effects, has further strained Lebanon's already crisis-affected economy, negatively impacting business operations, as well as the income and revenues of both the private and public sectors and individuals. A temporary partial ceasefire was declared on 16 April 2026 and has since been extended beyond the initial timeframe.

These developments arose after the reporting period and have therefore been assessed as non-adjusting events in accordance with IAS 10 Events after the Reporting Period.

31 SUBSEQUENT EVENTS (continued)

Accordingly, no adjustments have been made to the amounts recognised in the financial statements as at 31 December 2025, which reflect conditions existing at that date.

The Bank has assessed the potential implications of these events on its operations, financial position and performance. Based on information currently available, including the continuation of core business activities, it is not practicable to reliably estimate the full financial effect of these non-adjusting events on future periods.

Management has also considered the impact of these events on the Bank’s ability to continue as a going concern and has concluded that the going concern basis of preparation remains appropriate.