CEDRUS BANK

CEDRUS INVEST BANK S.A.L

ANNUAL REPORT 2018

T R U S T A
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I T Y E C J
I N N O V A
T I O N 4 D
Q D I V E R
S I T Y V 5
T R A N S P
A R E N C Y

How do you create
'Value beyond numbers'?

That was the question that fueled our journey in 2018. A grand vision was illustrated and it rapidly spread throughout Cedrus Group. With every new initiative the Bank invested in, the vision continued to expand, reaching all corners of Lebanon and beyond.

At Cedrus Group, we are committed to create value beyond numbers by identifying opportunities and seizing them… by recognizing top talent and supporting them to thrive… by building a foundation that is sustainable and will transcend from generation to generation… by creating a culture that our clients, partners and team members believe in.

2018 was a journey filled with growth that will unfold over the coming pages.

Transparently yours,

The Cedrus Group

A LETTER FROM
our Chairman

Dear valued partners and clients,

As we close yet another challenging year, I would like to take this opportunity, on behalf of the Board of Directors, to present you with Cedrus Group's Annual Report for 2018. We have taken on a different approach this year, to share with you a story of growth across numerous areas, captured by both Cedrus Invest Bank and Cedrus Bank.

The year brought with it many challenges that institutions in the MENA region and in Lebanon tried to navigate through. In this environment, public and private institutions worked on enhancing corporate governance practices, mitigating risks and adopting new strategies – to emerge even more resilient.

For Cedrus Group, 2018 was another year of remarkable growth and notable achievements. Our strengths were further solidified with a fundamental framework in place, which allowed us to reach new milestones. Cedrus Group maintained its position as the fastest growing banking group in Lebanon, with total assets growing by 45 percent reaching nearly USD 2 billion, compared to an average market growth rate in total assets of around 10 percent. This was achieved while maintaining by a wide margin, the highest Capital Adequacy Ratio (CAR) which reached 40 percent, while the average, for the Lebanese banking sector hovers around 14 percent. This indicates that Cedrus Group enjoys a level of capitalization three times that of the Lebanese banking sector average, positioning us as the Bank with the safest financial structure in Lebanon.

Part of being the fastest growing bank in Lebanon is also attributed to the local expansion strategy that we have in place, extending our network across main areas in Lebanon by opening new branches. Our strategy includes developing alternative delivery channels, using innovative methods to expand the reach of our financial services beyond the Banks' physical locations. With digitized solutions and strategic partnerships in place, the reach of the Bank has grown to serve a wider market segment. Fueled by this inventive thinking, our network of clientele also expanded to include various corporate profiles, such as small and medium enterprises (SMEs), industry professionals, as well as middle market companies. We also took client servicing to greater heights, establishing an around the clock call center, in-house.

In 2018, Cedrus Group was focused on diversifying its investment offering, encompassing both onshore and offshore ventures, with additional projects in the pipeline. We have reorganized our asset management capabilities to answer timely market requirements and investors' needs. We will also continue focusing on offering our investors direct opportunities including real estate investments in Lebanon, Europe and the United States.

Our commitment to give back to the community, engaging with local artisans and talents was high on our agenda. This journey began when we invested in a film which has reached global heights, receiving numerous awards and nominations – Capharnaum. Serving as Executive Producers, we are honored to have been part of a group of believers in the power of storytelling, which has allowed for Lebanon and its vibrant talent to receive international acclaim. This is just the beginning, and we will continue investing in arts and culture, as part of our pledge to society.

As 2019 unfolds, we welcome the new year in a position of strength, fueled by a strong culture, that is relayed by a loyal and growing team. Our resilience as a banking group is attributed to each and every team member. Together, we eye more growth and innovation on the horizon.

We hope you enjoy our journey throughout 2018 and trust that 2019 will offer new opportunities.

Honestly yours,

Fadi Assali, CFA
Chairman - General Manager

"Together,
we eye
more growth
and innovation
on the horizon."

INTRODUCING OUR

2018

ANNUAL REPORT

TABLE

# of Content

A story of growth

The story of Cedrus Group's growth

The story of progress and expansion of Cedrus Invest Bank and Cedrus Bank has been authored by a growing team of talented leaders over the years. Since the founding of the Banks in 2011 and 2015 respectively, prospects for development in both Lebanon and abroad have continuously been identified, to create value beyond numbers.

The institutional values of Cedrus Group have been set as guidelines of excellence, when interacting with and serving internal and external stakeholders. From trust and quality, to transparency, innovation and diversity, this year, both Banks have managed to bring these values to life in every action. New goals and objectives ensure continuous growth in these areas.

The efforts of the visionary leadership and team have also yielded exceptional results, with Cedrus Group currently deemed the fastest growing banking group in Lebanon. In 2018, the Group's shareholders' equity exceeded USD 350 million, with a Capital Adequacy Ratio of 40 percent, far beyond the set requirements by the Central Bank of Lebanon.

In Lebanon, growth opportunities have been seized, by adding to the network of Cedrus Bank branches on a national scale. Strategic partnerships with strong local players further exemplify the Bank's commitment to serve the entire country, and attract aspiring talent who share the same vision.

Externally, expansion is on the horizon, beyond Cedrus Group's physical locations. Innovation, digitization and the development of alternative delivery channels, ensure that the trust invested in Cedrus Group is magnified through value creation.

The story of unbound potential continues. We invite you to be part of the narrative.

The Cedrus Group team

Mission, Vision & Values

OUR SHARED
Mission

To create significant value for our stakeholders and cultivate a mutually-prosperous environment by applying and adhering to global standards of ethics and excellence in banking and finance and fostering relationships built on trust and confidentiality that are sustainable and transcend generations.

OUR GUIDING
Vision

Value beyond numbers.

OUR INSTITUTIONAL VALUES OF TRUST, QUALITY, TRANSPARENCY, INNOVATION AND DIVERSITY ARE THE FOUNDATIONAL PILLARS UPON WHICH BOTH OUR MISSION AND OUR VISION ARE BUILT.

OUR INSTITUTIONAL
Values

Trust

Ethical practices, integrity in our work and a commitment towards our team and our customers.

Innovation

Commitment to embrace change translated via our spirit of adaptability, flexibility and creativity.

Quality

Visible throughout the lifespan of every transaction through efficient, best of class services and products.

Diversity

An Inclusive and multi-faceted culture.

Transparency

Honesty and straightforwardness in customer service at all times.

Milestones of 2018

Led by a vision, which has become a reality

As the twelve months of 2018 unfolded, our vision to create value beyond numbers, became more evident. Here is a glimpse of another year of progress.

In the heart of Tripoli

THE OPENING OF A NEW BRANCH

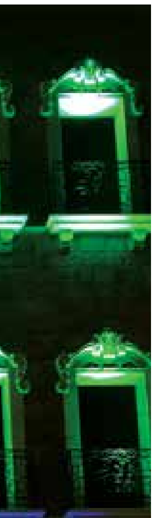
Situated in an authentic location, true to Lebanese heritage, Cedrus Bank opened its latest branch in Tripoli in late 2018. As guests gathered, talented young individuals from Tripoli shared their creativity in the realms of arts and crafts.

The branch in Tripoli signifies Cedrus Bank's commitment to the youth, supporting them to achieve their professional aspirations. The team at the Tripoli branch are comprised of youth, providing them with an opportunity to grow and excel in Lebanon's fastest growing bank. This is part of the Bank's strategy to adopt unconventional methods when it comes to talent attraction and recruitment, as well as enhancing the opportunities it provides to society.

Jounieh

ON THE MAP

Cedrus Bank opened its doors to clients in Jounieh in 2018, as part of its expansion plan on a national scale. The full-fledged branch boasts state-of-the-art premises, offering clients the complete range of services to ensure convenient banking.



Supporting Professionals

WITH LOANS

Cedrus Bank launched its Professional Loans in 2018 across Lebanon. Professionals in various fields are able to benefit from the loan offerings, demonstrating the Bank's commitment to support and empower professionals in their domains.

The Professional Loan is standardized with a fast track approval, complete with competitive product features and benefits. It is dedicated to medical doctors (including dentists), pharmacists, hairdressers, nurseries, bakeries and mini markets offering them access to financing up to USD 100,000.

As part of raising awareness of the Professional Loans, Cedrus Bank's team took part in the 26th Annual Pharmacy Congress and the 28th Beirut International Dental Meeting in 2018.

Milestones of 2018

SUPPORTING ARTS AND THE ENVIRONMENT:

La Brocante Des Artistes

In an effort to support and promote sustainable art, Cedrus Bank sponsored the 'La Brocante des Artistes', an event dedicated to engaging Lebanese artists to rethink furniture. An initiative by arcenciel, 'La Brocante des Artistes' gathered talented Lebanese artists, to create pieces of furniture out of reused vintage pieces that were auctioned off to raise funds for a good cause. The event highlighted the importance of waste reduction and aimed at supporting the employment of disabled individuals, who were responsible to refurbish the furniture.

HEATED

Summer Takeover

The Cedrus Bank team took over the shores of Lebanon, from Tyre to Batroun, to promote the Bank's credit card and personal loan range. Colorful packages, filled with branded Cedrus Bank goodies, were handed to individuals across Lebanese beaches, creating a spirit of excitement.

MADE IT TO

Forbes Middle East's 'Lebanon 100'

Forbes Middle East released its 'Lebanon 100' ranking in 2018, with Cedrus Bank making it to the top of the list. Raed Khoury, Co-founder of Cedrus Bank and former Minister of Economy & Trade in Lebanon, was ranked one of the top 35 most influential Lebanese business personalities. The 'Lebanon 100' list sought to recognize the leaders and prominent individuals, and assess their impact on the economy and business landscape in Lebanon.

CUSTOMERS

at the Center

A 24/7 call center was established at the Cedrus Bank headquarters, to service clients around the clock. The in-house call center is fully equipped to handle customer needs, related to payments, loan applications, product support and transactions related to cards and checks. Powered by a group of trained professionals, the team at the call center is dedicated to respond to the needs of clients at any hour of the day.

Milestones of 2018

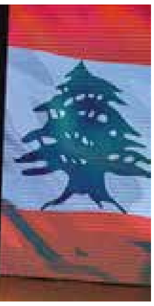
PROUD

Sponsors & Supporters

In 2018, we proudly collaborated with and supported the following organizations and initiatives:

- Cedars Festival, to promote arts, culture and talent (#CedrusinCedars)
- Cedrus Bank powered the Lebanese National Energy (LNE) Mind the Gap Forum, which covered four main themes, aligned with the values of Cedrus Bank. The forum focused on reducing the gender and age gap in the workplace, while boosting the economy and creating thousands of jobs and opportunities. Experts from the public and private sector were identified, to create an open dialogue and find concrete solutions to some of Lebanon's biggest problems.
- Cedrus Bank was a sponsor of the fifth edition of Lebanese Diaspora Energy conference, which was focused on the creation of 'Strategies for Banking and Public Private Partnerships'.
- An avid supporter of the growing music scene in Lebanon, Cedrus Bank sponsored 'Agosto', an event offering a new kind of experience, where guests were immersed in captivating beats and a relaxed atmosphere.

Fondation Mouna Bustros



LADY OF HOPE FOUNDATION'S

- Amideast's Annual Gala Dinner, in an effort to further the reach of the organization, which has worked extensively to support Lebanese individuals in enhancing their skill and language proficiency.

- Running with the Alzheimer's Association in the Beirut Marathon.

- The Mouna Bustros Foundation works across Lebanon to enhance professional development in the realm of education. Cedrus Bank identified the importance of such an initiative, believing in the overarching goal of the project, to ignite innovation in after-school activities, where students can learn how to code and use their code to invent and create new things. Through the efforts of the Mouna Bustros Foundation, students will be geared to grow in a globally competitive future workforce.

- Lady of Hope Foundation's annual fundraising concert aims at helping students enrolled in schools across Lebanon, settle their tuition fees. Cedrus Bank was a proud sponsor of the event, believing in the power of education.

- Ramadan in 2018 was brighter this year, with the chances to win big with Cedrus Bank.

A sit down with our Founders

Visionary ideas are often the result of hard work and a strong, unwavering belief in a goal. Should two individuals share the same vision, the likelihood of it being realized is much greater.

The co-founders of Cedrus Group are such examples. Yet, their journey began long before the Bank was founded.

Raed Khoury and Fadi Assali met at university, and pursued the same degree in Economics from the American University of Beirut (AUB), followed by obtaining their Chartered Financial Analyst (CFA) qualification. They later pursued their post-graduate degrees, in Money and Banking from AUB (Khoury) and an MBA from LAU (Assali).

Friendship and resilience, as well as an evident entrepreneurial spirit bound them. Their career paths were also drawn in parallel, encompassing banking and financial service experience in regional markets.

These milestones in their academic and professional lives, led them to co-found Cedrus Invest Bank, both at the age of 37. With each bringing a differing viewpoint, they challenged each other, fueling progress, to being positioned as the fastest growing banking group in Lebanon.

We sat down with Khoury and Assali to delve into the details of their success story.

There is a lot of talk about the downturn of the Lebanese economy, what is your take on that?

RK: The Lebanese economy has been struggling for quite some time due to numerous factors, and private sector organizations, as well as financial institutions are working tirelessly to return to growth. The main contributing factors are attributed to the growing fiscal deficit which has ballooned year on year, as well as the lack of diversification when it comes to economic stimulants. Lebanon is rich with talent and potential in numerous industries, that unfortunately, being neglected.

The International Monetary Fund (IMF) has forecasted that the economy is poised for slow growth in the coming year, with only a 1 to 2% growth rate.

We all have a role to play however, to stimulate the economy. From debt restructuring, to investing internally in various industries that will generate income, turning to tourism and promoting it actively, as well as reversing brain drain… the country requires a solid vision to lead it forward. Our focus is on supporting the productive sectors in Lebanon to create more jobs, and of course, to capitalize on our strong banking sector, to attract more foreign direct investment.

How is the Bank being socially responsible?

FA: The term 'socially responsible' carries many different meanings. At Cedrus Group, sustainability is at the forefront of our operations. From talent acquisition that is diverse and balanced, corporate governance practices that ensure the team works to the best of their abilities to make sound decisions when dealing with client portfolios, to investing in social realms across Lebanon… we believe in the local talent, opportunities and potential of the country. By being part of the UNGC program, we can align our strategies and operations with universal principles, centered on human rights, labor forces, the environment and combatting corruption, actions that together, advance societal goals.

How would you define Cedrus Group's strategy?

FA: Our strategy is based on creating value in all the endeavors that we take part in, be it from the innovative product offerings, creating alternative delivery channels to maximize customer experience, expert investment advisory, supporting SMEs, providing the youth with career opportunities and so on. Growth is definitely on the horizon, and this is just the beginning of our journey.

What role is Cedrus Group playing to revive the economy?

FA: When I first moved back to Lebanon – a conscious and deliberate decision on my part I did so because I believe in the potential of the country. The founding of Cedrus Invest Bank, and subsequently, Cedrus Bank, was fueled by the determination to contribute towards economic growth. Since the founding of the Bank, we have been playing a key role to revive the economy. Being the fastest growing banking group in Lebanon means that we are creating jobs – a point high on our agenda. As we open new branches across Lebanon and give young, vibrant talent, the chance to grow and be part of a dynamic organization, we are expanding the career pool across the country.

In Lebanon, we have been investing to contribute to growth, whilst safeguarding our clients' assets, through local and foreign investments, which comprise a very balanced and diverse portfolio.

Our vision is not just related to the world of finance, but also cascades into social realms. Our commitment remains to support the people of Lebanon and the businesses that exist, with SMEs comprising nearly 90% of enterprises in the country. They are the backbone of the Lebanese economy.

Why are the youth integral for Lebanon and how is Cedrus Bank supporting them?

FA: The youth are the future of Lebanon. It is the current and upcoming generation that will have the most impact on the country and will be able to realize all the work that has been put in by generations before. Our aim is to reverse brain drain and to provide talented youth with the option to stay in Lebanon, and be able to have a dynamic career path, with high prospects. Part of our strategy when opening new branches, is to recruit talent from the area, mainly comprised of young professionals.

What role should the Lebanese Diaspora play to support Lebanon?

RK: With an estimated 14 million Lebanese nationals living and working all over the world, they comprise a solid network that can be capitalized on. Whilst remittances have become a core part of our economy, it isn't enough to sustain a country. The Lebanese need to work more closely together and not in fragmented groups. From supporting each other in local and foreign markets, networking to create more opportunities and knowledge sharing transferred back into the country, there is a lot to do. Ideally, I would like to see strategic investments being pooled back into Lebanon, in areas that will make a long-term impact on the country. The human capital that Lebanon boasts is a core asset that needs to be utilized to give back to the country.

What is your favorite quote?

FA: Life is what happens while you are busy doing other things.

RK: The ripples of success are first in preparation, then hard work and in continuous learning.

Is the Cedrus Group eyeing expansion opportunities outside of Lebanon?

RK: Our commitment is to provide clients with the best-in-class services and investment advisory. Part of this path is to seek opportunities to invest both locally and internationally, creating alternative delivery channels. A growing part of our portfolio includes investments in the real estate sector in the US – which contributes to a more solid portfolio.

Fastest growing bank, financially strong

Capital Adequacy Ratio

The highest
CAPITAL ADEQUACY RATIO IN LEBANON

In 2018, Cedrus Group maintained its position as the fastest growing banking institution in Lebanon. The recorded growth is owed to the expansion strategy of the bank on a national scale, as well as the injection of capital.

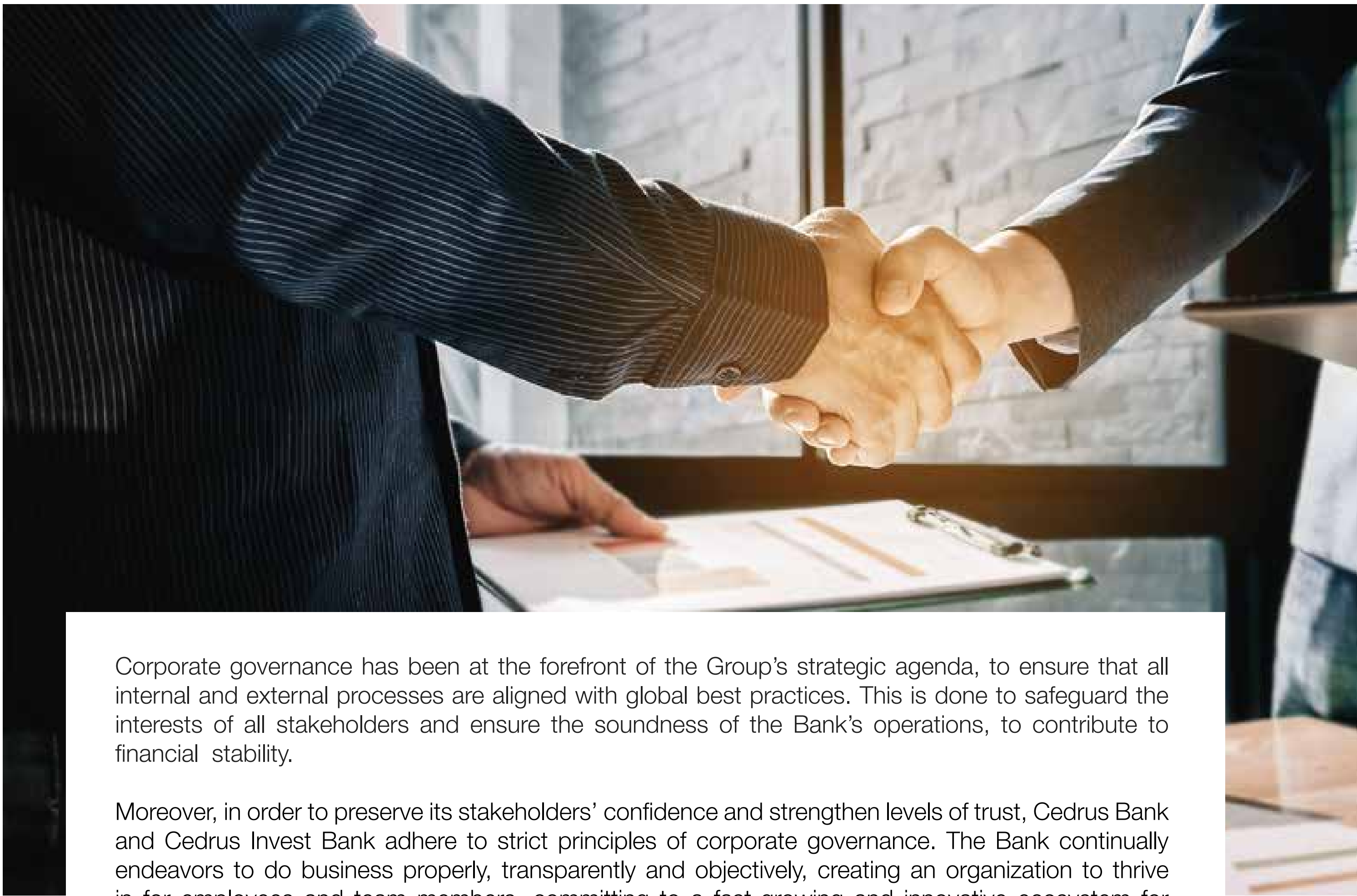
As a result, Cedrus Group reached a Capital Adequacy Ratio of 40 percent, which is the highest in Lebanon. The national average ratio is estimated at 14 percent.

The capital adequacy ratio is measured by dividing a bank's capital (tier one and tier two), by its risk-weighted assets. Expressed as a percentage, the capital adequacy ratio helps gauge the stability and efficiency of financial institutions globally.

What this figure translates to is safety – solidifying Cedrus Group's standing as the safest bank in Lebanon.

Corporate Governance

Corporate Governance



Corporate governance has been at the forefront of the Group's strategic agenda, to ensure that all internal and external processes are aligned with global best practices. This is done to safeguard the interests of all stakeholders and ensure the soundness of the Bank's operations, to contribute to financial stability.

Moreover, in order to preserve its stakeholders' confidence and strengthen levels of trust, Cedrus Bank and Cedrus Invest Bank adhere to strict principles of corporate governance. The Bank continually endeavors to do business properly, transparently and objectively, creating an organization to thrive in for employees and team members, committing to a fast-growing and innovative ecosystem for shareholders to believe in, and instilling trust and care amongst the general public.

Proper corporate governance is strengthened through:

- The composition of the Board of Directors with a majority of independent and non-executive members in order to safeguard objectivity and efficiency and reduce conflicts of interest.
- The creation of various Board Committees responsible for setting the operational and control guidelines.
- The designation of senior executives and heads of departments with expansive financial and technical expertise and high ethical standards in order to oversee day-to-day management of the operations.
- The enactment of policies and procedures that ensure compliance with applicable laws and regulations, effective controls, and business continuity.

The Board Committees include:

- Risk Committee
- Audit Committee
- Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Committee
- Remuneration Committee

CEDRUS BANK AND CEDRUS INVEST BANK'S GOVERNANCE FRAMEWORK RELIES ON SEVERAL PILLARS, WHICH INCLUDE:

Corporate Discipline:

A strict and mandatory corporate Code of Conduct is cascaded across all departments and employees, to provide guidance in carrying out respective duties ethically and professionally.

Accountability and Meritocracy:

Employees are accountable not only for the responsibilities their role stipulates, but also for the way they accomplish it. Working ethically is a priority for the Board of Directors. Also, appraisal, remuneration and advancement of employees is based on their professional merit.

Compliance and Controls:

Cedrus Bank and Cedrus Invest Bank are fully committed to meeting the requirements of the local laws, regulations, and international standards. Therefore, both Banks continue to refine their governance practices through enhancing organizational performance, developing a robust system of risk management and maintaining a sound internal control system. This strategy aligns the structural functions with the Banks' cultures to continually support both entities in meeting their goals.

Disclosure and Transparency:

Cedrus Bank and Cedrus Invest Bank have a duty to publish their financial statements in accordance with the International Financial Reporting Standards (IFRS) to ensure accuracy of reporting. Additionally, the Banks disclose any material information, whether financial or non-financial, in line with applicable rules and regulations.

Social Responsibility and Sustainability:

The Banks have a duty to care and safeguard the community in which they operate. Hence, a value-driven management model has been created, centered on economic, environmental and social goals.

Strategic Investments:

FROM LEBANON TO THE WORLD

INVESTED IN

Lebanon, the bank and the team

A STRONGER Team

Cedrus Bank has created a sustainable platform to enhance synergies between teams for cross-functional collaborations. This year, the team at the Bank took part in:

- An expedition to Laqlouq
- The Laugh Story Comedy Show
- An end of year parents and kids event at the Bank
- And a weekend escape in Faraya

SPORTING Strength

The Cedrus Bank basketball team rose to the ranks in Lebanon, competing for the first time in the Central Bank of Lebanon's bank league. Sports activities are integral to foster a team spirit, and have members of the Bank compete together.

LOVINGLY Lebanese

This year, Cedrus Bank and Cedrus Invest Bank showcased their commitment to local culture and heritage with their end of year gifts. The gifts were authentically Lebanese, sourced from all over Lebanon, in an effort to support local businesses flourish and contribute towards economic growth. By supporting Lebanese artisans, the Banks' strong confidence in the potential of the country was evident.

Corporate Social Responsibility

OUR IMPACT:
in numbers

Sustainability at the core

ACTIVE IN UNITED NATIONS GLOBAL COMPACT WORKING TO FULFILL THREE GOALS

Gender Equality, Peace & Strong Institutions and Industry, Innovation & Infrastructure

Local artisans

SUPPORTING LOCAL TALENT THROUGH EVENTS & BRANCH OPENINGS

100% local

END OF YEAR GIFTS CRAFTED AND GROWN BY LEBANESE TALENT

An opportunity to educate

TUITION FEE SUPPORT THROUGH THE LADY OF HOPE FOUNDATION

Committed to education

SUPPORTING CODING INITIATIVES FOR THE FUTURE WITH THE MOUNA BUSTROS FOUNDATION

Running

WITH THE ALZHEIMER'S ASSOCIATION AT THE BEIRUT MARATHON

Activities and Achievements

WE ARE COMMITTED TO CREATING
'VALUE BEYOND NUMBERS.'

HERE IS A SNAPSHOT OF OUR SOCIAL, ETHICAL AND ENVIRONMENTAL IMPACT IN 2018, THANKS TO THE EFFORTS AND DEDICATION OF A GROWINGLY INSPIRED TEAM.

Fastest growing bank

IN LEBANON, YEAR ON YEAR

Safest to bank with

HIGHEST CAPITAL ADEQUACY RATIO BY A WIDE MARGIN

Young & dynamic

NEARLY 75% OF THE TEAM IS UNDER 40

Women on the rise

45% OF SENIOR ROLES AT THE BANK ARE LED BY WOMEN

Sports enthusiasts

FIRST BANK BASKETBALL TEAM BECAME A REALITY

Arts & Culture

Capharnaüm

WHY WE BELIEVED IN CAPHARNAUM: WHEN ART AND FINANCE MEET

كفرناحوم
CAPHARNAÜM

In 2017, Cedrus Invest Bank ventured into artistic and cultural investments, by raising funds for Lebanese director Nadine Labaki's movie, Capharnaum. Since its first screening, Capharnaum has been in the global spotlight, winning the Jury Prize at the Cannes Film Festival, being nominated for an Oscar, and of course, receiving countless standing ovations in theaters all over the world.

The support Cedrus Invest Bank provided to Capharnaum, was fueled by a deep-seated vision, shared by the Bank's founders and team. This led to the arrangement of an Investment Banking transaction, where a select number of investors were approached to take part. From raising equity, to arranging the extension of a "Production and Media" loan subsidized by the Central Bank of Lebanon , the Bank played a crucial role to secure funding for a project that would give birth to one of the most successful movies in Lebanese Cinema history.

However, the role Cedrus Invest Bank envisioned was much grander than the funds raised. Firstly, the Bank's commitment to supporting Lebanese talent was solidified, being one of the first Bank's to arrange financing for cultural works in Lebanon. And secondly, the belief in the storyline that was artistically depicted, covering the topics of childhood and the rights of children, human dignity and underlying issues that exist in society, further motivated the Bank and the investors to take part.

A link was drawn between the world of arts and culture and the world of finance – a stance that is perfectly aligned with the overarching vision: 'Value beyond numbers'.

Capharnaum has placed Lebanon in the international art scene and Cedrus Invest Bank is pleased to have played a key role in seeing it light up screens worldwide.

PROUD EXECUTIVE PRODUCERS

United Nations Global Compact

Cedrus Bank is committed to contributing to sustainability across numerous realms, with practices implemented throughout the institution.

The sustainability agenda is based on the adoption of a set of goals by the United Nations Global Compact (UNGC). The UNGC is a principle-based framework for businesses committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. The Cedrus family has joined this initiative in 2017, and adopted 3 Sustainable Development Goals (SDGs) that are aligned with its core values.

Accordingly, following the submission of the Communication on Progress (COP) in terms of integration of the practices in 2018, all requirements were met. As such, Cedrus Bank became qualified for the Global Compact 'Active level'.

THE BANK HAS ADOPTED 3 GOALS RELATED TO:

Gender Equality

Peace & Strong Institutions

Industry, Innovation & Infrastructure

THE CEDRUS GROUP IS FOUNDED ON A CULTURE THAT SUPPORTS AND PROMOTES EQUALITY, INNOVATION AND GROWTH, CONTRIBUTING TO A HAPPIER, HEALTHIER AND MORE ENGAGED ENVIRONMENT.

The financials:

A COMPARATIVE REPORT OF PROGRESS

Building a better working world

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF CEDRUS INVEST BANK SAL

Report on the audit of the consolidated financial statements

Opinion

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

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated 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 opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addresses the key audit matter
Impairment of Loans and Advances	
As described in the notes to the consolidated financial statements, the impairment losses have been determined in accordance with International Financial Reporting Standard 9 "Financial Instruments". Effective 1 January 2018, the Group adopted IFRS 9 "Financial Instruments" which introduced a forward looking, expected credit loss ("ECL") impairment model. On adoption, the Group has applied the requirements of IFRS 9 without restating the comparatives. The adoption of IFRS 9 did not have any impact on the Group's equity as at 1 January 2018. The impact of transition is explained in the notes to the consolidated financial statements. Due to the inherently judgmental nature of the computation of expected credit losses ("ECL") for loans and advances, there is a risk that the amount of ECL may be misstated. The key areas of judgement include:	In assessing the computation of the provision for any current and expected loss, we performed the following procedures: • We assessed the modelling techniques and methodology against the requirements of IFRS 9. • We tested the data, both current and historical, used in determining the ECL. • We tested the expected credit loss models including build, validation and governance of models. • We tested the material modelling assumptions in addition to any overlays. • We examined a sample of exposures and performed procedures to determine whether significant increase in credit risk had been identified on a timely basis. • We reperformed the ECL computation for sample of credit facilities.

EY
Building a better working world

pwc

Key audit matter (continued)	How our audit addresses the key audit matter
Impairment of Loans and Advances (continued)	
• The identification of exposure with a significant deterioration in credit quality. • Choosing appropriate models and assumptions for the measurement of Expected Credit Losses including Probability of Default, Loss Given Default and Exposure at Default. • Assessing the recoverability of Stage 3 financial assets. • Assumptions used in the ECL model such as financial condition of counterparty, expected future cash flows, forward looking macroeconomic factors etc. • The need to apply additional overlays to reflect current or future external factors that might not be captured by the expected credit loss model. • Determining disclosure requirements in accordance with accounting standards.	• We assessed the accuracy of disclosures in the consolidated financial statements. • We assessed the appropriateness of the Probability of Default, Loss Given Default and evaluated the reasonableness of the Exposure at Default including provisions held against a sample of Stage 3 assets.

Other information included in the group's 2018 annual report
Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditors' report thereon. Management is responsible for the other information. The Group's 2018 Annual Report is expected to be made available to us after the date of this auditors' report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work we perform, we conclude that there is a material misstatement of this other information, we are required to report this fact.

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

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

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

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

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Auditors' responsibilities for the audit of the consolidated financial statements (continued)
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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

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

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

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

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

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

The partners in charge of the audit resulting in this independent auditors' report are Walid Nakfour for Ernst & Young and Andre Rohayem for PricewaterhouseCoopers.

Ernst & Young

PricewaterhouseCoopers

8 February 2019
Beirut, Lebanon

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	*2018* *LL million*	*2017* *LL million*
Interest and similar income	3	**182,032**	79,083
Interest and similar expense	4	**(88,522)**	(32,370)
Net interest income		**93,510**	46,713
Fee and commission income	5	**7,376**	7,599
Fee and commission expense	6	**(1,959)**	(2,237)
Net fee and commission income		**5,417**	5,362
Net gain from financial assets at fair value through profit or loss	7	**20,275**	44,088
(Loss) gain from sale of financial assets at amortized cost	8	**(981)**	5,212
Net impairment (loss) gain on financial assets	10	**(3,669)**	547
Revenue from financial assets at fair value through other comprehensive income		**-**	34
Gain on disposal of property and equipment		**20**	-
Foreign exchange gain		**270**	102
Total operating revenue		**114,842**	102,058
Personnel expenses	9	**(25,361)**	(22,522)
Depreciation of property and equipment	20	**(1,827)**	(1,100)
Amortization of intangible assets	21	**(773)**	(728)
General and other operating expenses	11	**(13,119)**	(13,927)
Total operating expenses		**(41,080)**	(38,277)
Profit before tax		**73,762**	63,781
Income tax expense	12	**(8,678)**	-
Profit for the year		**65,084**	63,781
Other comprehensive income			
Unrealized gain on financial assets at fair value through other comprehensive income		**-**	42
Total comprehensive income for the year		**65,084**	63,823
Attributable to:			
Equity holders of the parent		**63,693**	63,497
Non-controlling interests		**1,391**	326
		65,084	63,823

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	*2018* *LL million*	*2017* *LL million*
Assets			
Cash and balances with the Central Bank of Lebanon	13	**1,045,236**	806,270
Due from banks and financial institutions	14	**78,385**	66,650
Financial assets at fair value through profit or loss	15	**788**	58,916
Loans and advances to customers at amortized cost	16	**307,024**	252,106
Loans and advances to associates at amortized cost	19	**299**	518
Financial assets at amortized cost	17	**1,463,891**	803,342
Financial assets at fair value through other comprehensive income	18	**24,978**	24,959
Debtors by acceptance		**-**	1,932
Investments in associates	19	**2**	5
Goodwill		**11,021**	11,021
Property and equipment	20	**12,224**	8,715
Intangible assets	21	**1,747**	2,268
Non-current assets held for sale		**1,314**	1,314
Other assets	22	**7,989**	7,925
Total assets		**2,954,898**	2,045,941
Liabilities and equity			
Liabilities			
Due to the Central Bank of Lebanon	23	**998,150**	519,983
Due to banks and financial institutions	24	**70,180**	87,891
Customers' deposits at amortized cost	25	**1,053,982**	866,350
Debt issued and other borrowed funds	26	**267,616**	43,548
Engagements by acceptances		**-**	1,932
Provision for risks and charges	27	**402**	-
Other liabilities	28	**29,977**	25,073
Total liabilities		**2,420,307**	1,544,777
Equity			
Share capital	29	**337,913**	337,913
Share premium	29	**66,326**	66,326
Non-distributable reserves	31	**15,002**	5,630
Distributable reserve	31	**48,140**	25,365
Accumulated losses		**(3,399)**	(3,050)
Profit for the year		**63,693**	63,455
		527,675	495,639
Non-controlling interest		**6,916**	5,525
Total equity		**534,591**	501,164
Total liabilities and equity		**2,954,898**	2,045,941
Off-balance sheet accounts:			
Assets under management and administration			
- Assets under management	33	**217,756**	219,127
- Assets under External Asset Manager Services	33	**107,849**	148,511
- Assets under custody	33	**300,541**	329,372
- Fiduciary deposits	33	**69,069**	53,814
		695,215	750,824

The consolidated financial statements were authorized for issue in accordance with the resolution of the Board of Directors on 8 February 2019.

Fadi Assali
Chairman and General Manager

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital LL million	*Share premium LL million*	*Non-distributable reserves LL million*	*Distributable reserves LL million*	*Accumulated losses LL million*	*Profit for the year LL million*	*Non-controlling interest LL million*	*Total LL million*
Balance at 1 January 2017	138,310	11,293	3,185	16,153	(2,401)	10,966	5,199	182,705
Increase in capital (note 29)	199,603	55,033	-	-	-	-	-	254,636
Appropriation of profits (note 31)	-	-	1,557	9,170	239	(10,966)	-	-
Transfer to reserves (note 31)	-	-	888	-	(888)	-	-	-
Total comprehensive income for the year	-	-	-	42	-	63,455	326	63,823
Balance at 31 December 2017	337,913	66,326	5,630	25,365	(3,050)	63,455	5,525	501,164
Appropriation of profits (note 31)	-	-	7,161	22,775	33,519	(63,455)	-	-
Transfer to reserves (note 31)	-	-	2,211	-	(2,211)	-	-	-
Dividends paid (note 30)	-	-	-	-	(31,657)	-	-	(31,657)
Total comprehensive income for the year	-	-	-	-	-	63,693	1,391	65,084
Balance at 31 December 2018	**337,913**	**66,326**	**15,002**	**48,140**	**(3,399)**	**63,693**	**6,916**	**534,591**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 LL million	2017 LL million
OPERATING ACTIVITIES			
Profit for the year		**73,762**	63,781
Adjustments for:			
Depreciation of property and equipment	20	**1,827**	1,100
Amortization of intangible assets	21	**773**	728
Write-off of property and equipment	20	**-**	102
Loss (gain) from sale of financial assets at amortized cost		**981**	(5,212)
Net gain from financial assets at fair value through profit or loss		**(353)**	(706)
Net impairment loss (gain) on financial assets		**3,669**	(567)
Gain on disposal of property and equipment		**(20)**	-
Provision for risks and charges		**117**	(939)
		80,756	58,287
Changes in operating assets and liabilities:			
Balances with the Central Bank of Lebanon		**(250,894)**	(658,568)
Loans and advances to customers at amortized cost		**(56,839)**	(104,399)
Loans and advances to associates at amortized cost		**219**	(518)
Financial assets at amortized cost		**(661,740)**	(428,971)
Financial assets at fair value through profit or loss		**58,480**	(19,851)
Financial assets at fair value through other comprehensive income		**(19)**	(11,914)
Customers' deposits at amortized cost		**187,632**	500,895
Debts issued and other borrowed funds		**224,068**	43,548
Due from banks and financial institutions		**9,347**	(1,696)
Due to banks and financial institutions		**(17,711)**	4,900
Other assets		**(64)**	665
Other liabilities		**(3,774)**	2,050
Net cash used in operating activities		**(430,539)**	(615,572)
INVESTING ACTIVITIES			
Purchase of property and equipment	20	**(5,336)**	(2,742)
Purchase of intangible assets	21	**(252)**	(304)
Proceeds from disposal of property and equipment		**20**	-
Investments in associates		**3**	(5)
Net cash used in investing activities		**(5,565)**	(3,051)
FINANCING ACTIVITIES			
Cash contribution to capital increase		**-**	254,636
Due to the Central Bank of Lebanon		**478,167**	402,914
Due to shareholders		**-**	(22,071)
Dividends paid		**(31,657)**	-
Net cash from financing activities		**446,510**	635,479
INCREASE IN CASH AND CASH EQUIVALENTS		**10,406**	16,856
Cash and cash equivalents at beginning of year		**73,839**	56,983
CASH AND CASH EQUIVALENTS AT END OF YEAR	35	**84,245**	73,839

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

1 CORPORATE INFORMATION

Cedrus Invest Bank SAL ("the Bank") and its subsidiaries (together "the Group") provide retail, corporate and specialised financial services. The Bank is a Lebanese joint stock company (specialized bank) registered at the Commercial Register in Mount of Lebanon under number 2048969 on 4 April 2017. The Bank is under number 137 in the list of Banks of the Central Bank of Lebanon. The Bank is located in Dora, Lebanon.

The Bank's specialised financial services could be summarized as follows:

- Multi-family office services: comprehensive oversight of various financial assets through consolidated performance reporting, fee negotiation, documentation, record keeping, accountability detection and investment advisory including asset allocation and security selection. The Bank charges clients a quarterly fee as a percentage of the total assets under this service.

- Advisory and discretionary portfolio management services. With external banks and financial institutions.

- Brokerage services providing access to clients to international financial markets and trade execution services.

The Group comprises the Bank together with its subsidiaries as follows:

	Activities	Country of Incorporation	Percentage Ownership
Cedrus Bank SAL	Commercial Bank	Lebanon	84.78%
Cedrus Real Estate Management SAL	Services	Lebanon	79.90%
Lebanese Insurance Brokers SAL	Insurance	Lebanon	69.70%

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements of the Group have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, which have been measured at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Group's consolidated financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.6.

The consolidated financial statements and the relevant disclosures are presented in millions of Lebanese Lira (LL million) except when otherwise indicated.

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the consolidated statement of financial position date (non-current) is presented in note 36 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognized amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the Bank and/or its counterparties.

The consolidated financial statements comprise the financial statements of Cedrus Invest Bank SAL and its subsidiaries as at 31 December 2018.

2.2 Basis of consolidation

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets.

When the Group makes an acquisition meeting the definition of a business under IFRS 3, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated income statement. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank's cash– generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the Bank at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment in accordance with IFRS 8 Operating Segments.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

Control and subsidiaries
Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

Generally, there is a presumption that a majority of voting rights results in control. However, under individual circumstances, the Bank may still exercise control with less than 50% shareholding or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Bank considers all relevant facts and circumstances, including:

- The purpose and design of the investee
- The relevant activities and how decisions about those activities are made and whether the Bank can direct those activities
- Contractual arrangements such as call rights, put rights and liquidation rights
- Whether the Bank is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

Where the Group loses control of a subsidiary but retains an interest in it, then such interest is measured at fair value at the date that control is lost with the change in carrying amount recognised in profit or loss. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. As such, amounts previously recognised in other comprehensive income are transferred to consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of consolidation (continued)

Non-controlling interest
Non-controlling interest represent the portion of profit or loss and net assets of subsidiaries not owned by the Group. The Group has elected to measure the non-controlling interest in acquirees at the proportionate share of each acquiree's identifiable net assets. Interests in the equity of subsidiaries not attributable to the Group are reported in consolidated equity as non-controlling interests. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group treats transactions with non-controlling interests as transactions with equity holders of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.3 Changes in accounting policies and disclosures

New and amended standards and interpretations
The Group applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2018. The nature and the impact of each new amendment is described below:

IFRS 9 *Financial Instruments*
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments and all previous versions of IFRS 9 (2009, 2010 and 2013). The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The new version, IFRS 9 (2014) is effective for annual periods beginning on or after 1 January 2018. The Group adopted the new standard on the required effective date, along with the provisions of the Central Bank of Lebanon basic circular No. 143 and the Banking Control Commission circular No.293.

The Group has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9 (2014). Therefore, the comparative information for 2017 is reported under IFRS 9 (2009, 2010 and 2013) and IAS 39 impairment requirements and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 (2014) as of 1 January 2018 are disclosed in V below.

I. Classification and measurement

The Group has early adopted classification and measurement requirements as issued in IFRS 9 (2009) and IFRS 9 (2010). In the July 2014 publication of IFRS 9, the new measurement category fair value though other comprehensive income was introduced for financial assets that satisfy the contractual cash flow characteristics (SPPI test). This category is aimed at portfolio of debt instruments for which amortised cost information, as well as fair value information is relevant and useful. A debt financial asset is measured at fair value through OCI if:

- it is held in a business model whose objective is achieved by both holding assets to collect contractual cash flows and selling the assets, and
- it satisfies the contractual cash flow characteristics (SPPI test).

At the date of application of IFRS 9 (2014), the Group reassessed the classification and measurement category for all financial assets debt instruments that satisfy the contractual cash flow characteristics (SPPI test) and classified them within the category that is consistent with the business model for managing these financial assets on the basis of facts and circumstances that existed at that date.

The classification and measurement requirements for financial assets that are equity instruments or debt instruments that do not meet the contractual cash flow characteristics (SPPI test) and financial liabilities remain unchanged from previous versions of IFRS 9.

The Group's classification of its financial assets and liabilities is explained in Note 2.5. The impact on the classification of the Bank's financial assets and their carrying values and equity is discussed in V below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

IFRS 9 *Financial Instruments (continued)*

II. Expected Credit Losses

The adoption of IFRS 9 has fundamentally changed the Bank's accounting for loan loss impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

Details of the Group's impairment method are disclosed in Note 2.5. The impact of the adoption of IFRS 9 impairment provisions on the Bank's financial assets and their carrying values and equity is discussed in V below.

III. IFRS 7 disclosures

IFRS 7 Financial Instruments: Disclosures, which was updated to reflect the differences between IFRS 9 and IAS 39, was also adopted by the Group together with IFRS 9, for the year beginning 1 January 2018. Changes include transition disclosures as shown in V below.

Reconciliations from opening to closing ECL allowances are presented in the notes to the consolidated financial statements.

IV. Hedge accounting

The Group has early adopted hedge accounting requirements as issued in IFRS 9 (2013). These requirements were first published in November 2013 and remain unchanged in the July 2014 publication of IFRS 9, except to reflect the addition of the FVOCI measurement category to IFRS 9.

There is no impact on the financial statements as the Group does not have hedged items measured at FVOCI.

V. Transition

In accordance with the transition provisions of IFRS 9 (2014), the Group applied this standard retrospectively. The following tables set out the impact of adopting IFRS 9 (2014) on the statement of financial position, and retained earnings including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECLs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

IFRS 9 *Financial Instruments (continued)*

V. Transition (continued)

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

	Classification under IFRS 9 (2010)		*Re-measurement*	*Classification under IFRS 9 (2014)*	
	(31 December 2017)			*(1 January 2018)*	
	Category LL million	*Amount LL million*	*ECL LL million*	*Category LL million*	*Amount LL million*
Financial assets					
Cash and balances with the Central Bank of Lebanon	**Amortized cost**	**806,270**	**(1,908)**	**Amortized cost**	**804,362**
Due from banks and financial institutions	**Amortized cost**	**66,650**	**(56)**	**Amortized cost**	**66,594**
Loans and advances to customers at amortized cost	**Amortized cost**	**252,106**	**893**	**Amortized cost**	**252,999**
Financial assets at amortized cost	**Amortized cost**	**803,342**	**(4,668)**	**Amortized cost**	**798,674**
			(5,739)		
Non-financial liabilities					
Provision for risks and charges – financial guarantees and other commitments			**(117)**		
Other liabilities			**(5,856)**		
Net impact on equity			**-**		

The increase in impairment allowances when measured in accordance with IFRS 9 expected credit losses model compared to IAS 39 incurred loss model amounts to LL 5,856 million and was covered by the Group's excess collective provisions and deferred surplus recorded under other liabilities. Accordingly, there was no impact on the Group's equity from the adoption of the IFRS 9 impairment requirements.

The following table reconciles the aggregate opening loan loss provision allowances under IAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 *Provision Contingent Liabilities and Contingent Assets* to the ECL allowance under IFRS 9.

	Impairment Allowance under IAS 39/IAS 37 at 31 December 2017 LL million	*Re-measurement LL million*	*ECLs under IFRS 9 at 1 January 2018 LL million*
Impairment allowance for			
Cash and balances with the Central Bank of Lebanon	**-**	**1,908**	**1,908**
Due from banks and financial institutions	**-**	**56**	**56**
Loans and advances to customers at amortized cost	**9,709**	**(893)**	**8,816**
Financial assets at amortized cost	-	**4,668**	**4,668**
	9,709	**5,739**	**15,448**
Financial guarantees and other commitments	**-**	**117**	**117**
	9,709	**5,856**	**15,565**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

IFRS 9 ***Financial Instruments (continued)***

VI. ***Transition (continued)***
The Group continues to test and refine the new accounting processes, internal controls and governance framework necessitated by the adoption of IFRS 9 (2014). Therefore, the estimation of expected credit losses and related impacts remains subject to change until finalization of the consolidated financial statements for the year ending 31 December 2018.

IFRS 15 ***Revenue from contracts with customers***
IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Group assessed that the impact of IFRS 15 is not material on the consolidated financial statements of the Group.

Amendments to IFRS 2 ***Classification and Measurement of Share-based Payment Transactions***
The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. If applicable, the Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. These amendments do not have any impact on the Group's financial statements.

IFRIC Interpretation 22 ***Foreign Currency Transactions and Advance Considerations***
The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of transaction for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Standards issued but not yet effective

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2018, with the Group not opting for early adoption. These have therefore not been applied in preparing these consolidated financial statements.

IFRS 16 Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16
The Bank plans to adopt IFRS 16 retrospectively to each prior reporting period presented. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group will elect to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

The Group is currently assessing the impact of adopting IFRS 16 on the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Standards issued but not yet effective (continued)

Other standards issued but not yet effective include the following. The Group is currently assessing the impact of adopting these changes as it plans to adopt the new standards on the required effective dates.

Standard	Description	Effective date
IFRIC Interpretation 23 "Uncertainty over Income Tax Treatment"	The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following: • Whether an entity considers uncertain tax treatments separately. • The assumptions an entity makes about the examination of tax treatments by taxation authorities. • How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. • How an entity considers changes in facts and circumstances. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.	1 January 2019
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	The amendments address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to: • Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. • Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset). The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.	1 January 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Standards Issued but not Yet Effective (continued)

Standard	Description	Effective date
Amendments to IFRS 9: Prepayment Features with Negative Compensation	Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.	1 January 2019
Annual Improvements 2015-2017 Cycle (issued in December 2017)	These improvements include: • ***IFRS 3 Business Combinations*** The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation. • ***IFRS 11 Joint Arrangements*** A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. • ***IAS 12 Income Taxes*** The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. • ***IAS 23 Borrowing Costs*** The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.	1 January 2019

2.5 Summary of significant accounting policies

Foreign currency

Transactions and balances
Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the date of the statement of financial position. Revaluation differences are recorded in the statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Financial Instruments – Initial recognition

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

(ii) Initial measurement of financial instruments
Financial instruments are initially measured at their fair value, plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument. In the 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 Group accounts for the Day 1 profit or loss, as described below.

(iii) Day 1 Profit or Loss
When the transaction price differs from the fair value at origination and the fair value is based on a valuation technique using only observable inputs in market transactions, the Group immediately recognizes 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 recognized in the income statement when the inputs become observable, or when the instrument is derecognized.

Financial Assets – Classification and measurement

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

A debt instrument is measured at amortized 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 Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Financial Assets – Classification and measurement (continued)

Business Model
The Group 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 Group’s assessment

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 realized in a way that is different from the Bank's original expectations, the Group 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 Group 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 amortized cost are reflected under “gain on sale of financial assets at amortized cost” in the consolidated 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 Group 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 Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Financial Assets – Classification and measurement (continued)

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

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

Financial Liabilities (other than financial guarantees, letters of credit and loan commitments) – Classification and Measurement

Liabilities are initially measured at fair value plus, in the case of a financial liability not at fair value through profit or loss, particular transaction costs. Liabilities are subsequently measured at amortized cost or fair value.

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

The Group may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Financial Liabilities (other than financial guarantees, letters of credit and loan commitments) – Classification and Measurement (continued)

Interest incurred on financial liabilities designated at fair value through profit and loss is accrued in interest expense using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument.

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

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

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

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

Financial Guarantees, Letters of Credit and Undrawn Loan Commitments
The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognized in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group’s liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the consolidated income statement, and an ECL provision. The premium received is recognized in the consolidated income statement in “Fees and commission income” on a straight line basis over the life of the guarantee.

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

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the consolidated statement of financial position.

The Group occasionally issues loan commitments at below market interest rates drawdown. Such commitments are subsequently measured at the higher of the amount of the ECL allowance and the amount initially recognized less, when appropriate, the cumulative amount of income recognized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

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

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

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

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

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

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

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

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

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

(ii) Derecognition other than for substantial modification

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Derecognition of Financial Assets and Financial Liabilities (continued)

Financial Assets (continued)

(ii) Derecognition other than for substantial modification (continued)

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

- ➢ The Group has transferred its contractual rights to receive cash flows from the financial asset; or
- ➢ The Group 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 Group 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 Group 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 Group cannot sell or pledge the original asset other than as security to the eventual recipients;
- ➢ The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group 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 Group has transferred substantially all the risks and rewards of the asset; or
- ➢ The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group 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 Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Group's continuing involvement, in which case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group 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 Group 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 Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Derecognition of Financial Assets and Financial Liabilities (continued)

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

Impairment of Financial Assets (Policy applicable from 1 January 2018)

(i) Overview of the ECL Principles
As described in Note 2.3, the adoption of IFRS 9 has fundamentally changed the Group's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From 1 January 2018, the Group has been recording the allowance for expected credit losses for all loans and other financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss), unless there has been no significant increase in credit risk since origination, or the debt instrument is determined to have low credit risk at the reporting date, in which cases, the allowance is based on the 12 months' expected credit loss (12mECL).

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

The 12mECL is the portion of lifetime ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both lifetime ECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Group groups its financial instruments into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1
When loans are first recognized, the Group recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2
When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the Lifetime ECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Impairment of Financial Assets (Policy applicable from 1 January 2018) (continued)

(i) Overview of the ECL Principles (continued)

Stage 3

Loans considered credit-impaired. The Group records an allowance for the Lifetime ECLs.

POCI

Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a derecognition of the financial asset.

(ii) The calculation of ECLs

The Group calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

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

When estimating the ECLs, the Group considers three scenarios (a base case, an upside, and a downside). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

Provisions for ECLs for undrawn loan commitments are assessed as set out in the notes. The calculation of ECLs (including the ECLs related to the undrawn element) of revolving facilities such as credit cards is explained below.

The mechanics of the ECL method are summarized below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Impairment of Financial Assets (Policy applicable from 1 January 2018) (continued)

(ii) The calculation of ECLs (continued)

Stage 1
The 12mECL is calculated as the portion of lifetime ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.

Stage 2
When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime ECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3
For loans considered credit-impaired (as defined in the risk management notes), the Group recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

POCI
POCI assets are financial assets that are credit impaired on initial recognition. The Group only recognizes the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit-adjusted EIR.

Loan Commitments and Letters of Credit
When estimating lifetime ECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.
For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within "Provisions for risks and charges".

Financial Guarantees
The Group's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement, and the ECL provision. For this purpose, the Group estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios. The ECLs related to financial guarantee contracts are recognized within "Provisions for risks and charges".

(iii) Purchased or originated credit impaired financial assets (POCI)
For POCI financial assets, the Group only recognizes the cumulative changes in lifetime ECL since initial recognition in the loss allowance.

(iv) Credit cards and other revolving facilities
The Group's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Group has the right to cancel and/or reduce the facilities with one day's notice. The Group does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Group's expectations of the customer behavior, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Group's expectations, the period over which the Group calculates ECLs for these products, is three years for corporate and five years for retail products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Impairment of Financial Assets (Policy applicable from 1 January 2018) (continued)

(iv) Credit cards and other revolving facilities (continued)

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade but greater emphasis is also given to qualitative factors such as changes in usage.

The interest rate used to discount the ECLs for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently charged no interest.

The calculation of ECLs, including the estimation of the expected period of exposure and discount rate is made, on an individual basis for corporate and on a collective basis for retail products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

(v) Forward Looking Information

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth rate;
- Unemployment rates;
- Central Group base rates;
- House price indices.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Collateral valuation

To mitigate its credit risks on financial assets, the Group 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 Group's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same is it was under IAS 39. Collateral, unless repossessed, is not recorded on the Group'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 yearly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. 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.

Collateral repossessed

The Group's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Group accounts for collateral repossessed in accordance with the Central Bank of Lebanon main circular 78 and the Grouping Control Commission circulars 173 and 267. Repossessed assets should be sold within two years from the date of approval of repossession by the Grouping Control Commission. These are immediately transferred to "Assets obtained in settlement of debt" at their fair value at the repossession date, as approved by the Grouping Control Commission.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Impairment of Financial Assets (Policy applicable from 1 January 2018) (continued)

Write Offs
The Group's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to "Net impairment losses on financial assets".

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

From 1 January 2018, when the loan has been renegotiated or modified but not derecognized, the Group also reassesses whether there has been a significant increase in credit risk. The Group also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 12-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities has to be considered performing;
- The probation period of one year has passed from the date the forborne contract was considered performing;
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period; and
- The customer does not have any contract that is more than 30 days past due.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Impairment of Financial Assets (Policy applicable before 1 January 2018)

The Group assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter Groupruptcy or other financial reorganization default or delinquency in interest or principal payments, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial Assets at Amortized Cost

For financial assets carried at amortized cost (such as due from Groups and financial institutions, debt instruments at amortized cost, loans and advances to customers and related parties), the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not the foreclosure is probable.

Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized; the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to "net credit losses" in the income statement.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Impairment of Financial Assets (Policy applicable before 1 January 2018) (continued)

(ii) Renegotiated Loans
Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

(iii) Collateral valuation
The Group seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and periodically updated based on the Group's policies and type of collateral.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties, such as independent accredited experts and other independent sources.

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

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Fair Value Measurement (continued)
For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group 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 Group'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 Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Operating lease arrangement
Lease agreements which do not transfer substantially all the risks and benefits incidental to ownership of the leased items are classified as operating leases. Operating lease payments are recorded in the statement of comprehensive income on a straight line basis over the lease term.

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

Investments in associates
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor separately tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associates. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Investments in associates (continued)

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss in the consolidated income statement.

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

Revenue Recognition

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

(i) Interest and similar income and expense

The effective interest rate

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

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.

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

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

When a financial asset becomes credit-impaired after initial recognition, interest income is determined by applying EIR to the outstanding balance (Principal and interest) of the instrument. If the financial asset cures and is no longer credit-impaired, the Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Revenue Recognition (continued)

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

The effective interest rate (continued)
Interest income on all trading assets and liabilities and financial assets and liabilities mandatorily required to be measured at fair value through profit or loss is recognized using the contractual interest rate in "Gain on financial assets at fair value through profit or loss".

Presentation
Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes:
- interest on financial assets at amortized cost;
- interest on debt instruments measured at fair value through other comprehensive income;
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; and
- the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

Interest expense presented in the statement of profit or loss and other comprehensive income includes:
- financial liabilities measured at amortized cost; and
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense.

Interest income on all trading assets and liabilities and financial assets and liabilities mandatorily required to be measured at fair value through profit or loss are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in "Gain on financial assets at fair value through profit or loss".

Interest income or expense on financial instruments measured at amortized cost are presented in the income statement under "Interest and similar income". Interest income and expense on financial instruments measured at FVTPL are presented under "Gain on financial assets at fair value through profit or loss" in the income statement and separately in the notes.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Revenue Recognition (continued)

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

Cash and cash equivalents
Cash and cash equivalents as referred to in the consolidated statement of cash flows comprise balances with original maturities of a period of three months or less including: Cash and balances with the Central Bank and deposits with Groups and financial institutions.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and accumulated impairment in value. Replacements or major inspection costs are capitalized when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

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. The estimated useful lives are as follows:

Buildings and leasehold improvements	5 to 12.5 years
Office furniture and equipment	4 to 12.5 years
Fixtures and installations	5 years
Vehicles	4 years

The assets' residual values, useful lives and method of depreciation are reviewed at each financial period and adjusted prospectively, if appropriate. Impairment reviews are performed when there are indications that the carrying value may not be recoverable. Impairment losses are recognized in the consolidated statement of comprehensive income as an expense.

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the consolidated statement of comprehensive income in the year the asset is derecognized.

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

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will follow to the Group. Ongoing repairs and maintenance are expensed.

Intangible assets
Intangible assets consist of computer software licenses. These are measured at amortized cost less accumulated amortization and any impairment losses. Subsequent costs are capitalized only when it can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group. All other expenditure is expensed as incurred.

The useful life of these intangible assets is assessed to be finite and is amortized over their useful economic life. These intangible assets are amortized over a period of five years using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives, subject to impairment testing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Non-current assets held for sale
Properties acquired through enforcement of security over loans and advances to customers are accounted for in accordance with the directives issued by the Central Bank of Lebanon. A reserve is recognized against assets not disposed of within two years. The accumulated reserve is classified under equity.

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

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

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

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

Asset management
The Group provides advisory and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity and under management (discretionary and/or non-discretionary) are not reported in the consolidated financial statements, as they are not the assets of the Group; they are recorded as off-balance sheet items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Retirement benefits obligation

The Group is subscribed to the compulsory defined benefit plan of the National Social Security Fund.

IAS 19 'Employee benefits' requirements:
A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service or compensation. The liability recognised in the consolidated statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the consolidated statement of financial position date less contributions to the fund. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities that have terms to maturity approximating the terms of the related pension liability.

Local requirements:
The compulsory defined benefit plan varies according to each employee's final salary and length of service, subject to the completion of a minimum service period. The provision is calculated based on the difference between total indemnities due and total monthly contributions paid to National Social Security Fund ("NSSF"), End-of-Service Indemnity contributions paid to NSSF represents 8.5 percent of employee benefits.

The difference between the carrying amount of the provision and its value in accordance with IAS 19 'Employee benefits' is not significant.

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

Share capital

(a) Share issue costs
Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

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

2.6 Significant accounting judgments and estimates

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

Judgments
In the process of applying the Group’s accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect in the amounts recognized in the financial statements:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Significant accounting judgments and estimates (continued)

Judgments (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 Group 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 Group exercises judgment 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 Group considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

Going concern

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

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities.

Impairment Losses on Financial Instruments (Applicable after 1 January 2018)

The measurement of impairment losses both under IFRS 9 and IAS 39 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Significant accounting judgments and estimates (continued)

Estimates and Assumptions (continued)

Impairment Losses on Financial Instruments (Applicable after 1 January 2018) (continued)
The Group'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 Group's internal credit grading model, which assigns PDs to the individual grades;
- The Group'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.

Impairment Losses on Loans and Advances (Applicable before 1 January 2018)
The Group reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the income statement. In particular, judgment by Management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group makes judgments about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.), concentrations of risks and economic data (including levels of unemployment, real estate price indices, country risk and the performance of different individual groups).

3 INTEREST AND SIMILAR INCOME

	2018	*2017*
	LL million	*LL million*
Central Bank of Lebanon	**90,959**	14,859
Financial assets at amortized cost	**78,038**	44,226
Loans and advances to customers	**20,960**	13,949
Due from banks and financial institutions	**1,560**	6,049
Financial assets at fair value through profit or loss	**36**	-
	191,553	79,083
Less: tax on interest income	**(9,521)**	-
	182,032	79,083

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

4 INTEREST AND SIMILAR EXPENSE

	2018	2017
	LL million	*LL million*
Deposits from customers at amortized cost	**59,030**	25,126
Central Bank of Lebanon	**9,859**	2,502
Deposits and accounts held with banks and financial institutions	**7,630**	2,546
Debts issued and other borrowed funds	**12,003**	2,196
	88,522	32,370

5 FEE AND COMMISSION INCOME

	2018	2017
	LL million	*LL million*
Brokerage	**2,322**	2,923
Commissions on banking transactions	**2,444**	1,787
Account management	**1,531**	1,370
Custody services	**871**	801
Income from multi-family office services	**137**	646
Other commissions	**71**	72
	7,376	7,599

6 FEE AND COMMISSION EXPENSE

	2018	2017
	LL million	*LL million*
Brokerage fees and other commissions fees paid	**1,395**	1,734
Bank charges	**449**	335
Custody fees	**115**	168
	1,959	2,237

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

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

	2018 ***LL million***	*2017* *LL million*
Debt instruments:		
- Net gain on sale	**15,222**	41,882
- Interest and similar income from debt instruments	**652**	527
- Net gain on revaluation	**11**	15
	15,885	42,424
Equity instruments:		
- Net gain (loss) on revaluation	**378**	(694)
- Net loss on sale	**(97)**	(440)
- Dividend income	**1,296**	867
	1,577	(267)
Funds:		
- Net gain on sale	**2,849**	1,958
- Net loss on revaluation	**(36)**	(27)
	2,813	1,931
	20,275	44,088

During the year ended 31 December 2018, the Group executed several transactions, which resulted in a net gain on sale of Lebanese securities of LL 15,494 million (2017: LL 42,416 million) net of associated costs.

8 GAIN FROM SALE OF FINANCIAL ASSETS AT AMORTIZED COST

	2018 ***LL million***	*2017* *LL million*
Realized portion of deferred surplus	**-**	2,900
(Loss) gain on sale	**(981)**	2,312
	(981)	5,212

During 2016, the Group entered into certain financial transactions with the Central Bank of Lebanon relating to treasury bills and certificates of deposit denominated in Lebanese Pounds. These transactions were available to Groups provided that they are able to reinvest an amount equivalent to the nominal value of the sold instruments in Eurobonds issued by the Lebanese Republic or Certificates of Deposit issued by the Central Bank of Lebanon denominated in US Dollars and purchased at their fair values. During 2017, the Group transferred an amount of LL 2,900 million from deferred surplus to gain from sale of financial assets at amortized cost in the consolidated statement of comprehensive income. The net gains from such trades on financial instruments amounted to LL 16,088 million, of which LL 1,167 million (2017: LL 7,023 million) was not recognized in the profit or loss (note 28).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

9 PERSONNEL EXPENSES

	2018	2017
	LL million	*LL million*
Salaries and wages	**11,579**	9,924
Management fees (note 34)	**7,967**	7,929
Social security costs	**2,015**	1,745
Bonuses	**1,949**	998
Insurance expenses	**349**	538
Transportation allowance	**430**	318
Scholarship allowance	**360**	297
Other employee charges	**712**	773
	25,361	22,522

10 NET IMPAIRMENT (LOSS) GAIN ON FINANCIAL ASSETS

	2018	2017
	LL million	*LL million*
New and increased impairment allowances:		
Cash and balances with the Central Bank of Lebanon	**(1,259)**	-
Due from banks and financial institutions	**(6)**	-
Loans and advances to customers at amortized cost	**(2,135)**	-
Financial assets at amortized cost	**(253)**	-
Financial commitments and guarantees	**(285)**	-
	(3,938)	-
Recoveries:		
Loans and advances to customers at amortized cost	**214**	547
Due from banks and financial institutions	**12**	-
Financial assets at amortized cost	**43**	-
	269	547
	(3,669)	547

The table below shows the ECL charges on financial instruments for the year recorded in the income statement:

	Notes	*Stage 1 Individual LL million*	*Stage 1 Collective LL million*	*Stage 2 Individual LL million*	*Stage 2 Collective LL million*	*Stage 3 LL million*	*Total LL million*
Cash and balances with the Central Bank of Lebanon		1,259	-	-	-	-	1,259
Due from banks and financial institutions		(6)	-	-	-	-	(6)
Loans and advances to customers at amortized cost		3	934	60	251	673	1,921
Financial assets at amortized cost		210	-	-	-	-	210
		1,466	**934**	**60**	**251**	**673**	**3,384**
Commitments and contingent liabilities		**-**	**242**	**-**	**-**	**43**	**285**
		1,466	**1,176**	**60**	**251**	**716**	**3,669**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

11 GENERAL AND OTHER OPERATING EXPENSES

	2018	*2017*
	LL million	*LL million*
Rent expense	**1,859**	1,831
Maintenance and repairs (including IT support)	**1,504**	1,195
Advertising expenses	**1,292**	880
Subscription fees	**869**	639
Board of Directors attendance fees (note 34)	**811**	470
Professional fees	**806**	647
Fiscal and monetary	**604**	240
Taxes and related fees	**536**	2,309
Printing and stationary fees	**464**	208
Insurance expense	**406**	188
Legal fees	**330**	2,171
Life insurance for senior management (note 34)	**113**	113
Travel expenses	**83**	88
Entertainment and hospitality	**47**	225
Write-off of property and equipment (note 20)	**-**	102
Others	**3,395**	2,621
	13,119	13,927

12 INCOME TAX

As per the provisions of legislative decree no. 50 dated 15 July 1983, the Group is exempt from income taxes on profits stipulated in legislative decree no.144 dated 12 June 1959 for a period of 7 financial years starting from 2011, the year of its establishment. As of year, 2018, the Group's taxable profits are subject to a tax rate of 17% according to law no. 64 dated 26 October 2017.
The Group's subsidiaries are subject to the applicable Lebanese Income Tax Law. The subsidiaries did not incur any income tax expenses for 2018 as they had carried forward taxable losses.

Income tax expense for the years ended 31 December 2018 was as follows:

	2018
	LL million
Income tax expense	**8,678**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

12 INCOME TAX (continued)

Reconciliation of the total tax charge
A reconciliation between the tax expense and the accounting profit of Cedrus Invest Bank SAL for the year ended 31 December 2018 is as follows:

	2018 ***LL million***
Accounting profit before income tax	**64,530**
Add:	
Provisions not deductible for tax purpose	**133**
Other non-tax deductible charges	**257**
Less:	
Unrealized gains from financial assets at fair value through profit or loss, net	**(354)**
Tax credits on capital of specialized Groups	**(13,517)**
Taxable profit	**51,049**
Income tax rate	**17%**
Income tax expense	**8,678**

13 CASH AND BALANCES WITH THE CENTRAL BANK OF LEBANON

	2018 ***LL million***	*2017* *LL million*
Cash on hand	**3,609**	3,802
Balances with the Central Bank of Lebanon:		
Current accounts	**6,564**	14,779
Term deposits (with original maturities not exceeding three months)	**-**	2,261
Included under cash and cash equivalents (note 35)	**10,173**	20,842
Term deposits (with original maturities exceeding three months)	**875,549**	655,924
Interest receivable	**5,446**	3,994
Mandatory reserve deposits with the Central Bank of Lebanon	**157,235**	125,510
	1,048,403	806,270
Less: expected credit losses	**(3,167)**	-
	1,045,236	806,270

As stipulated by the Central Bank of Lebanon circulars, the Group is required to hold interest bearing mandatory reserves at the Central Bank of Lebanon on the basis of 15% of the weekly average of deposits denominated in foreign currencies. Mandatory reserves are not available for use in the Group's day to day operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

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

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to balances with the Central Bank of Lebanon is, as follows:

	Central Bank of Lebanon					
	Current Accounts Stage 1 Individual		*Term Deposits Stage 1 Individual*		*Total*	
	Gross carrying amount LL million	*Allowance for expected credit loss LL million*	*Gross carrying amount LL million*	*Allowance for expected credit loss LL million*	*Gross carrying amount LL million*	*Allowance for expected credit loss LL million*
At 1 January 2018	**17,040**	**-**	**785,428**	**1,908**	**802,468**	**1,908**
New assets originated or purchased	**-**	**-**	**252,802**	**999**	**252,802**	**999**
Assets de-recognized or repaid	**(10,476)**	**-**	**-**	**-**	**(10,476)**	**-**
Changes to models [1] and inputs [2] used for ECL calculation	**-**	**-**	**-**	**260**	**-**	**260**
At 31 December 2018	**6,564**	**-**	**1,038,230**	**3,167**	**1,044,794**	**3,167**

[1] Represents changes in the models. In year ended 31 December 2018 this was nil.
[2] Represents changes to models parameters (e.g., GDP rates, unemployment rates and house price indices).

The impairment allowance under IAS 39 for balances with the Central Bank of Lebanon was nil.

14 DUE FROM BANKS AND FINANCIAL INSTITUTIONS

	2018 ***LL million***	*2017* *LL million*
Current accounts	**42,927**	43,486
Margin accounts	**29,052**	3,502
Term placements (with original maturities not exceeding three months)	**2,171**	6,009
Term placements (with original maturities exceeding three months)	**4,285**	13,481
Interest receivable	**-**	172
	78,435	66,650
Less: expected credit losses	**(50)**	-
	78,385	66,650

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

14 DUE FROM BANKS AND FINANCIAL INSTITUTIONS (continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to balances with banks and financial institutions is, as follows:

	Current accounts		*Term placements*	
	Stage 1 Individual		*Stage 1 Individual*	
	Gross carrying amount LL million	*Allowance for expected credit loss LL million*	*Gross carrying amount LL million*	*Allowance for expected credit loss LL million*
At 1 January 2018	**43,486**	**-**	**19,662**	**56**
New assets originated or purchased	**10,218**	**-**	**3,076**	**6**
Assets de-recognized or repaid	**(10,777)**	**-**	**(16,282)**	**(12)**
At 31 December 2018	**42,927**	**-**	**6,456**	**50**

	Margin accounts		*Total*	
	Stage 1 Individual			
	Gross carrying amount LL million	*Allowance for expected credit loss LL million*	*Gross carrying amount LL million*	*Allowance for expected credit loss LL million*
At 1 January 2018	**3,502**	**-**	**66,650**	**56**
New assets originated or purchased	**25,550**	**-**	**38,844**	**6**
Assets de-recognized or repaid	**-**	**-**	**(27,059)**	**(12)**
At 31 December 2018	**29,052**	**-**	**78,435**	**50**

The impairment allowance under IAS 39 for balances with due from banks and financial institutions was nil.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 ***LL million***	*2017* *LL million*
Lebanese government bonds	**80**	11,714
Debt securities	**-**	1,508
Participation in funds	**6**	41,883
Equity securities	**702**	3,811
	788	58,916

16 LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST

	2018 ***LL million***	*2017* *LL million*
Retail loans	**115,383**	88,097
Corporate loans	**129,746**	102,965
	245,129	191,062
Loans against mortgages	**1,294**	1,594
Loans against securities (i)	**4,095**	4,879
Loans against cash collateral (note 23)	**51,370**	51,242
Shareholders' loans against securities (ii)	**13,853**	13,038
Shareholder loan (ii)	**2,000**	-
	317,741	261,815
Allowance for expected credit losses	**(10,717)**	(9,709)
	307,024	252,106

(i) The Group provides facilities to its customers (third parties and shareholders) to finance the acquisition of approved financial securities and within authorized thresholds as defined by the Central Bank of Lebanon (basic circular no. 51 dated 22 October 1998).

(ii) With reference to the Code of Money and Credit, article 152, these facilities are not subject to approval by the General Assembly as these facilities are provided to shareholders with less than 2% share in the Group and its subsidiaries. Accordingly, these facilities are not considered balances with related parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

16 LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST (continued)

Corporate loans

	Stage 1 Collective		*Stage 2 Individual*		*Stage 2 Collective*	
	Gross carrying amount LL million	*Allowance for expected credit loss LL million*	*Gross carrying amount LL million*	*Allowance for expected credit loss LL million*	*Gross carrying amount LL million*	*Allowance for expected credit loss LL million*
At 1 January 2018	**100,374**	**1,272**	**95**	**2**	**-**	**-**
New assets originated or purchased	**26,781**	**138**	**-**	**-**	**-**	**-**
Transfers to Stage 2	**(4,280)**	**(126)**	**239**	**15**	**4,041**	**249**
Transfers to Stage 3	**(3,128)**	**(33)**	**(24)**	**-**	**-**	**-**
At 31 December 2018	**119,747**	**1,251**	**310**	**17**	**4,041**	**249**

	Stage 3 Individual		*Total*	
	Gross carrying amount LL million	*Allowance for expected credit loss LL million*	*Gross carrying amount LL million*	*Allowance for expected credit loss LL million*
At 1 January 2018	**2,496**	**2,496**	**102,965**	**3,770**
New assets originated or purchased	**-**	**-**	**26,781**	**138**
Transfers to Stage 2			**-**	**138**
Transfers to Stage 3	**3,152**	**345**	**-**	**312**
At 31 December 2018	**5,648**	**2,841**	**129,746**	**4,358**

The increase in ECLs of the portfolio was driven by an increase in the gross size of the portfolio and movements between stages as a result of increases in credit risk and a deterioration in economic conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

16 LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST (continued)

Retail loans

	Stage 1 Collective		*Stage 2 Individual*		*Stage 2 Collective*	
	Gross carrying amount LL million	*Allowance for expected credit loss LL million*	*Gross carrying amount*	*Allowance for expected credit loss*	*Gross carrying amount LL million*	*Allowance for expected credit loss LL million*
At 1 January 2018	**83,019**	**657**	**223**	**26**	**287**	**35**
New assets originated or purchased	**30,886**	**1,095**	**-**	**-**	**-**	**-**
Assets de-recognized or repaid	**(3,366)**	**-**	**-**	**-**	**-**	**-**
Transfers to Stage 2	**(1,581)**	**(23)**	**1,555**	**56**	**26**	**2**
Transfers to Stage 3	**(3,303)**	**(120)**	**(326)**	**(11)**	**-**	**-**
Recoveries	**-**	**-**	**-**	**-**	**-**	**-**
Amounts written-off	**-**	**-**	**-**	**-**	**-**	**-**
At 31 December 2018	**105,655**	**1,609**	**1,452**	**71**	**313**	**37**

	Stage 3 Individual		*Total*	
	Gross carrying amount LL million	*Allowance for expected credit loss LL million*	*Gross carrying amount LL million*	*Allowance for expected credit loss LL million*
At 1 January 2018	**4,568**	**4,307**	**88,097**	**5,025**
New assets originated or purchased	**-**	**-**	**30,886**	**1,095**
Assets de-recognized or repaid	**-**	**-**	**(3,366)**	**-**
Transfers to Stage 2	**-**	**-**	**-**	**35**
Transfers to Stage 3	**3,629**	**542**	**-**	**411**
Recoveries	**(214)**	**(214)**	**(214)**	**(214)**
Amounts written-off	**(20)**	**(20)**	**(20)**	**(20)**
At 31 December 2018	**7,963**	**4,615**	**115,383**	**6,332**

The increase in ECLs of the portfolio was driven by an increase in the gross size of the portfolio and movements between stages as a result of increases in credit risk and a deterioration in economic conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

16 LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST (continued)

Other loans

	Stage 1 Individual	
	Gross carrying amount LL million	*Allowance for expected credit loss LL million*
At 1 January 2018	**70,753**	**21**
New assets originated or purchased	**1,371**	**3**
At 31 December 2018	**72,124**	**24**

	Stage 1 Collective		*Total*	
	Gross carrying amount LL million	*Allowance for expected credit loss LL million*	*Gross carrying amount LL million*	*Allowance for expected credit loss LL million*
At 1 January 2018	**-**	**-**	**70,753**	**21**
New assets originated or purchased	**488**	**3**	**1,859**	**6**
At 31 December 2018	**488**	**3**	**72,612**	**27**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

16 LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST (continued)

An analysis of the allowance for impairment losses under IAS 39 for loans and advances, by class, for the year ended 31 December 2017 is as follows:

	2017		
	Retail loans LL million	*Corporate loans LL million*	*Total LL million*
Balance at 1 January	5,918	4,113	10,031
Charge for the year	20	-	20
Write-back of provisions	(311)	(31)	(342)
Balance at 31 December	5,627	4,082	9,709
Individual impairment	4,417	2,517	6,934
Collective impairment	1,210	1,565	2,775
	5,627	4,082	9,709

During the year ended 31 December 2017, the Group recorded a write-back of unrealized interest amounting to LL 225 million.

17 FINANCIAL ASSETS AT AMORTIZED COST

	2018 LL million	*2017 LL million*
Certificates of deposits (Central Bank of Lebanon)	**96,351**	99,630
Lebanese government bonds	**1,340,693**	701,441
Corporate bonds	**31,725**	2,271
	1,468,769	803,342
Less: expected credit losses	**(4,878)**	-
	1,463,891	803,342

Included under Lebanese government bonds, are treasury bills with a nominal amount of LL 863.2 billion (2017: LL 152.7 billion) pledged as collateral against the term loans granted by the Central Bank of Lebanon (note 23).

The Group reclassified financial assets so that they are measured at amortized cost; accordingly, their fair value at the reclassification date became their new carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

17 FINANCIAL INVESTMENTS (continued)

Financial assets at amortized cost

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Lebanese sovereign and Central Bank of Lebanon related debt is, as follows:

	Lebanese government bonds				*Certificate of deposits*			
	Stage 1 Individual		*Stage 2 Individual*		*Stage 1 Individual*		*Stage 2 Individual*	
	Gross carrying amount LL million	*Allowance for expected credit loss LL million*	*Gross carrying amount LL million*	*Allowance for expected credit loss LL million*	*Gross carrying amount LL million*	*Allowance for expected credit loss LL million*	*Gross carrying amount LL million*	*Allowance for expected credit loss LL million*
At 1 January 2018	**701,441**	**4,098**	**-**	**-**	**99,630**	**535**	**-**	**-**
New assets originated or purchased	**639,252**	**494**	**-**	**-**	**1,160**	**6**	**-**	**-**
Changes to models [1] and inputs [2] used for ECL calculation	**-**	**(153)**	**-**	**-**	**(4,439)**	**(137)**	**-**	**-**
At 31 December 2018	**1,340,693**	**4,439**	**-**	**-**	**96,351**	**404**	**-**	**-**

	Corporate bonds				*Total*	
	Stage 1 Individual		*Stage 2 Individual*			
	Gross carrying amount LL million	*Allowance for expected credit loss LL million*	*Gross carrying amount LL million*	*Allowance for expected credit loss LL million*	*Gross carrying amount LL million*	*Allowance for expected credit loss LL million*
At 1 January 2018	**2,271**	**35**	**-**	**-**	**803,342**	**4,668**
New assets originated or purchased	**29,454**	**-**	**-**	**-**	**669,866**	**500**
Changes to models [1] and inputs [2] used for ECL calculation	**-**	**-**	**-**	**-**	**(4,439)**	**(290)**
At 31 December 2018	**31,725**	**35**	**-**	**-**	**1,468,769**	**4,878**

[1] Represents changes in the models. In year ended 31 December 2018 this was nil.
[2] Represents changes to models parameters (e.g., GDP rates, unemployment rates and house price indices).

The impairment allowance under IAS 39 for financial assets at amortized cost was nil.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 ***LL million***	*2017* *LL million*
Equity securities	**24,978**	24,959

19 INVESTMENTS IN ASSOCIATES

	Country of incorporation	***Ownership*** ***2018*** ***%***	*2017* *%*	***2018*** ***LL million***	*2017* *LL million*
Cedrus Film Holding SAL – (a)	Lebanon	**3.24**	12.91	**1**	4
Capharnaoum Film Holding SAL – (b)	Lebanon	**2.45**	2.45	**1**	1
				2	5

(a) During 2017, the Group acquired 12.91% of Cedrus Film Holding SAL for a total consideration of LL (000) 3,891. The Group granted the associate a loan amounting to LL 292 million. During 2018, the Group sold 967 shares in Cedrus Film Holding SAL for a total consideration of LL 221 million. As such, an amount of LL 3 million is related to the investment in the associate and LL 219 million is related to the loan granted to the associate.

(b) During 2017, the Group acquired 2.45% of Capharnaoum Film Holding SAL for a total consideration of LL (000) 730. The Group granted the associate a loan amounting to LL 226 million.

20 PROPERTY AND EQUIPMENT

	Buildings and leasehold improvements *LL million*	*Fixtures and installations* *LL million*	*Office furniture and equipment* *LL million*	*Vehicles* *LL million*	*Work in progress* *LL million*	*Total* *LL million*
Cost :						
Balance at 1 January 2018	2,893	5,230	7,096	223	232	15,674
Additions	-	-	19	188	5,129	5,336
Transfers	-	1,753	758	-	(2,511)	-
Disposals	-	-	-	(218)	-	(218)
At 31 December 2018	**2,893**	**6,983**	**7,873**	**193**	**2,850**	**20,792**
Depreciation:						
Balance at 1 January 2018	638	1,625	4,473	223	-	6,959
Depreciation for the year	62	923	836	6	-	1,827
Relating to disposals	-	-	-	(218)	-	(218)
At 31 December 2018	700	2,548	5,309	11	-	8,568
Net carrying amount:						
At 31 December 2018	**2,193**	**4,435**	**2,564**	**182**	**2,850**	**12,224**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

20 PROPERTY AND EQUIPMENT (continued)

	Buildings and leasehold improvements LL million	*Fixtures and installations LL million*	*Office furniture and equipment LL million*	*Vehicles LL million*	*Work in progress LL million*	*Total LL million*
Cost :						
Balance at 1 January 2017	2,667	2,711	5,633	223	1,896	13,130
Additions	-	196	445	-	2,101	2,742
Transfers	235	2,323	1,207	-	(3,765)	-
Write-offs	(9)	-	(189)	-	-	(198)
At 31 December 2017	2,893	5,230	7,096	223	232	15,674
Depreciation:						
Balance at 1 January 2017	595	1,133	4,004	223	-	5,955
Depreciation for the year	45	492	563	-	-	1,100
Relating to write-offs	(2)	-	(94)	-	-	(96)
At 31 December 2017	638	1,625	4,473	223	-	6,959
Net carrying amount:						
At 31 December 2017	2,255	3,605	2,623	-	232	8,715

21 INTANGIBLE ASSETS

	Software LL million	*Total LL million*
Cost:		
At 1 January 2018	4,033	4,033
Additions during the year	252	252
At 31 December 2018	**4,285**	**4,285**
Amortization:		
At 1 January 2018	1,765	1,765
Charge for the year	773	773
At 31 December 2018	**2,538**	**2,538**
Net carrying amount:		
At 31 December 2018	**1,747**	**1,747**

	Software LL million	*Total LL million*
Cost:		
At 1 January 2017	3,730	3,730
Additions during the year	304	304
Write-offs	(1)	(1)
At 31 December 2017	4,033	4,033
Amortization:		
At 1 January 2017	1,038	1,038
Charge for the year	728	728
Related to write-offs	(1)	(1)
At 31 December 2017	1,765	1,765
Net carrying amount:		
At 31 December 2017	2,268	2,268

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

22 OTHER ASSETS

	2018	*2017*
	LL million	*LL million*
Mandatory deposit with the Lebanese Treasury (a)	**4,500**	4,500
Prepaid expenses	**1,346**	1,335
Accrued income	**-**	1,066
Revaluation loss on fixed position	**30**	30
Other debit balances	**2,113**	994
	7,989	7,925

(a) This deposit represents a blocked amount with the Lebanese Treasury made by the Group on its constitution (with reference to Article 132 (b) of the Code of Money and Credit) recovered without interest upon the Group's liquidation.

23 DUE TO THE CENTRAL BANK OF LEBANON

	2018	*2017*
	LL million	*LL million*
Term loans	**966,817**	492,024
Other loans	**27,143**	26,047
Accrued interest	**4,190**	1,912
	998,150	519,983

Term loans include:

- A term loan amounting to LL 73,157 million was granted by the Central Bank of Lebanon on 19 November 2015 to cover certain costs incurred by the Group. The loan is subject to an annual interest rate of 2% payable on a semiannual basis. The principal amount of the loan is payable after 5 years from the drawing date. The balance of the loan was used to fund the purchase of Lebanese treasury bills for a nominal amount of LL 73,157 million with a 6.74% coupon (note 17).

- Term loans totaling to LL 513,173 million, net of benefit generated by the Group and amortized over the life of the instruments, as at 31 December 2018 (2017: LL 213,960 million) were granted by the Central Bank of Lebanon. The term loans are subject to a 2% interest rate payable on an annual basis. These term loans are secured by the pledge on Lebanese treasury bills with a nominal value of LL 415,570 million (2017: LL 53,842 million) (note 17) included under financial assets at amortized cost and the pledge of long-term placements held with the Central Bank of Lebanon amounting to LL 97,603 million (2017: LL 160,118 million).

- During 2016, the Central Bank of Lebanon has granted the Group a loan, in accordance with BDL intermediary circular No. 416. The loan, secured by the pledge on Lebanese treasury bills with a nominal value of LL 12.4 billion included under financial assets at amortized cost pledged as collateral (note 17), is subject to an interest of 1% and is payable through quarterly installments starting 31 October 2020. The proceeds of this loan were used in accordance with the provisions of the previously mentioned circular to finance a loan granted to a third party customer having a balance amounting to LL 24,784 million as at 31 December 2018 (31 December 2017: the same). This loan is subject to an effective interest rate of 1.08%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

23 DUE TO THE CENTRAL BANK OF LEBANON (continued)

- During 2017, the Central Bank of Lebanon has granted the Group a loan, in accordance with BDL intermediary circular No. 416. The loan, secured by the pledge on Lebanese treasury bills with a nominal value of LL 13.3 billion included under financial assets at amortized cost pledged as collateral (note 17), is subject to an interest of 1% and is payable through monthly installments starting 31 December 2019. The proceeds of this loan were used in accordance with the provisions of the previously mentioned circular to finance a loan granted to a third party customer having a balance amounting to LL 26,586 million as at 31 December 2018 (2017: LL 26,458 million). This loan is subject to an effective interest rate of 1.08%.

- Term loans totaling to LL 348,977 million, net of benefit generated by the Group and amortized over the life of the instrument, as at 31 December 2018 (2017: LL 128,732 million) are secured by the pledge on Lebanese treasury bills with a nominal value of LL 348,977 million included under financial assets at amortized costs as at 31 December 2018 (2017: nil) and the pledge of long-term placements held with the Central Bank of Lebanon amounting to LL 128,732 million as at 31 December 2017.

24 DUE TO BANKS AND FINANCIAL INSTITUTIONS

	2018	*2017*
	LL million	*LL million*
Current borrowings	**39,825**	55,740
Term borrowings	**28,739**	28,597
Deposits from banks	**1,616**	3,554
	70,180	87,891

25 CUSTOMERS' DEPOSITS AT AMORTIZED COST

	2018	*2017*
	LL million	*LL million*
Term deposits	**743,779**	589,343
Deposits originating from fiduciary contracts (a)	**127,911**	126,286
Current accounts	**77,437**	66,104
Pledged accounts	**84,388**	61,555
Margin accounts against operations in financial markets (futures and options)	**19,261**	21,810
Incoming payment order	**1,206**	1,252
	1,053,982	866,350

The Group provides facilities to its customers (third parties and shareholders) to finance the acquisition of approved financial securities and within authorized thresholds as defined by the Central Bank of Lebanon (basic circular no. 51 dated 22 October 1998).

(a) Deposits originating from fiduciary contracts represent deposits from other Groups on behalf of their customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

26 DEBT ISSUED AND OTHER BORROWED FUNDS

	2018 ***LL million***	*2017* *LL million*
Certificates of deposits issued by the Group	**263,740**	42,894
Accrued interest payable	**3,876**	654
	267,616	43,548

On 22 October 2016, the Group has obtained the approval of the Capital Market Authority for the issuance of certificates of deposits at par up to a ceiling of US$ 100 million subject to a fixed interest rate of 5.5% per annum for the six-month period starting on the issue date (first interest period), 6% per annum for the six-month period starting the last day of the first interest period (second interest period), and 6.5% per annum for the six-month period starting on the last day of the second interest period (third interest period) and matures in 18 months. The outstanding balances amounted to LL 40,080 million as at 31 December 2018 (2017: LL 43,548 million).

On 19 December 2017, the Group has obtained the approval of the Capital Market Authority on for the issuance of certificates of deposits at par up to a new ceiling of US$ 200 million as follows: The first product includes certificates of deposits subject to an interest rate of 5.5% per annum for the six-month period starting on the issue date (first interest period), 6% per annum for the six-month period starting the last day of the first interest period (second interest period), and 6.5% per annum for the six-month period starting on the last day of the second interest period (third interest period) and matures in up to 18 months. On the issuance date of each certificate, the Chairman of the issuer may increase the interest rate for each six-month period set out above by up to 1% per annum. Any increase in the interest rate (if any) shall be made in the same amount for each six-month period. The outstanding balances amounted to LL 48,829 million as at 31 December 2018 (31 December 2017: nil).

The second product includes certificates of deposits subject to an interest rate of 8% per annum paid every six-month and matures in up to 36 months. On the issuance date of each certificate, the Chairman of the issuer may increase the interest rate for each six-month period set out above by up to 2% per annum. Any increase in the interest rate (if any) shall be made in the same amount for each six-month period. The outstanding balances amounted to LL 178,707 million as at 31 December 2018 (31 December 2017: nil).

27 PROVISION FOR RISKS AND CHARGES

	2018 ***LL million***	*2017* *LL million*
Provision for expected credit losses on financial guarantees and other commitments	**402**	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

28 OTHER LIABILITIES

	2018 ***LL million***	*2017* *LL million*
Income tax payables	**8,678**	-
Deferred surplus (a)	**1,167**	7,023
Accrued Board of Directors members' remuneration	**5,276**	6,030
Accrued expenses	**6,986**	5,050
Due to the Ministry of Finance	**4,450**	3,409
Due to the National Social Security Fund	**1,274**	1,085
Revaluation gain on foreign currency fixed position	**-**	96
Other credit balances	**2,146**	2,380
	29,977	25,073

(a) During 2016, the Central Bank of Lebanon issued Intermediate Circular number 446 dated 30 December 2016 defining the accounting treatment for the surplus realized by Groups from the transactions made with the Central Bank of Lebanon. In accordance with the provisions of this circular, Groups should recognize in the income statement, only part of the gain net of tax, caped to the extent of the losses recorded to comply with certain regulatory provisioning requirements, the impairment losses on subsidiaries and goodwill recorded in accordance with IAS 36 and IFRS 3 respectively and the shortage needed to comply with the capital adequacy requirements, if any. Groups may further recognize up to 70% of the remaining balance of the gain realized in the income statement as non-distributable profits to be appropriated to reserves for capital increase, qualifying for inclusion within regulatory Common Equity Tier One. The remaining balance of the gain net of tax should be maintained within deferred revenue and qualifies for inclusion within regulatory Tier 2 Capital in accordance with the provisions of the circular.

During 2016, as a result of an operation with BDL consisting of the sale of treasury bills denominated in Lebanese Lira with a nominal value of LL 30,030 million and the simultaneous purchase of certificates of deposits (BDL) in US dollars for a nominal value of US$ 20 million and the sale of certificates of deposits (BDL) denominated in Lebanese Lira with a nominal value of LL 18,000 million and the simultaneous purchase of certificates of deposits (BDL) in US dollars for a nominal value of US$ 12 million, the Group received a surplus of LL 16,008 million which was credited to other liabilities. This surplus was used by the Group to provide for the collective provision of 2% on risk weighted loans for an amount of LL 1,565 million and to meet the capital adequacy requirements for an amount of LL 4,600 million (note 8).

During 2017, the Group transferred an amount of LL 2,900 million from deferred surplus to gain from sale of financial assets at amortized cost in the statement of comprehensive income. The deferred surplus amounting to LL 7,023 million as at 31 December 2017 includes an amount of LL 5,856 million in excess of the provisioning requirements of IAS 39 to comply with the Central Bank of Lebanon Intermediate Circular number 439 dated 8 November 2016.

During 2018, the Group used an amount of LL 5,856 million from deferred surplus to cover the increase in impairment allowances in line with IFRS 9 expected credit losses model.

29 SHARE CAPITAL

On 6 March 2017, the extraordinary general assembly of shareholders, verified the capital increase undertaken by the Group amounting to LL 230,550 million. The capital increase was executed through (i) issuance of 136,473 nominal shares for subscription by the current shareholders with nominal value of LL 1,111,725 and a premium of US$ 203.33 per share (equivalent to LL 306,516 per share), (ii) 26,088 nominal shares for subscription by third parties with a nominal value of LL 1,111,725 and premium of US$ 203.33 per share (equivalent to LL 306,516 per share).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

29 SHARE CAPITAL (continued)

On 26 May 2017, the extraordinary general assembly of shareholders, verified the capital increase undertaken by the Group amounting to LL 24,086 million. The capital increase was executed through (i) issuance of 10,677 nominal shares for subscription by the current shareholders with nominal value of LL 1,111,725 and a premium of US$ 203.33 per share (equivalent to LL 306,516 per share), (ii) 6,306 nominal shares for subscription by third parties with a nominal value of LL 1,111,725 and premium of US$ 203.33 per share (equivalent to LL 306,516 per share).

At 31 December 2018, share capital comprises 303,954 nominal shares (31 December 2017: the same) with a nominal amount of LL 1,111,725 per share (31 December 2017: the same) and a total share premium of LL 66,326 million (31 December 2017: LL 11,293 million).

30 DIVIDENDS PAID

According to the resolution of the ordinary general assembly of shareholders of the Bank held on 14 April 2018, dividends amounting to LL 31,657 million were declared.

31 RESERVES

	2018 ***LL million***	*2017* *LL million*
General reserve (a):		
Opening balance	**2,210**	838
Appropriation from prior year results	**1,002**	484
Others	**2,211**	888
Ending balance	**5,423**	2,210
Legal reserve (b):		
Opening balance	**3,420**	2,347
Appropriation from prior year results	**6,159**	1,073
Ending balance	**9,579**	3,420
Non-distributable reserves (a + b)	**15,002**	5,630

a) General reserve

According to the Central Bank of Lebanon Main Circular 143, Groups in Lebanon are required to transfer to General Reserves, the balance of Reserves for General Grouping 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 Group's equity and is not available for distribution.

b) Legal reserve

In compliance with the requirements of the Code of Money and Credit (article no. 132), Groups are required to appropriate 10% of their annual profits as legal reserve. This reserve is not available for distribution to the shareholders.

Distributable reserve

c) General reserve

In accordance with the General Assembly decisions, the net outstanding balance pertaining to the net profits for previous years (i.e. after required appropriation for legal and unidentified Grouping risks) were appropriated to a general reserve. This reserve is considered part of Tier I capital and is available for distribution.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

32 CONTINGENT LIABILITIES AND COMMITMENTS

- *Operating lease arrangement*

Future minimum lease payments under operating leases as at 31 December are as follows:

	2018 ***LL million***	*2017* *LL million*
Within one year	**1,924**	1,872
After one year but not more than three years	**7,336**	7,251
More than three years but less than six years	**11,813**	13,365
	21,073	22,488

- *Income tax contingencies*

Lebanese tax legislation is subject to varying interpretations when being applied to financial transactions and activities. Fiscal years from 2011 to 2018 of the Group remain open to review by the authorities, while Cedrus Bank SAL has its books open for the years from 1 April 2015 till 31 December 2018 (inclusive). Management believes that any such reviews will not result in any material financial loss to the Group.

- *Financial commitments*

	2018 ***LL million***	*2017* *LL million*
Foreign/local currencies to receive against foreign/local currencies to deliver	**51,720**	14,873
Foreign/local currencies to deliver against foreign/local currencies to receive	**51,882**	14,854
Guarantees issued to customers	**9,763**	2,080
Letters of credit issued to customers	**204**	454

- *Legal claims*

Litigation is a common occurrence in the Grouping industry due to the nature of the business. The Group has an established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages can be reasonably estimated, the Group makes adjustments to account for any adverse effects which the claims may have on its consolidated financial statements. Based on advice from legal counsel, management believes that legal claims will not result in any material financial loss to the Group.

- *Other commitments*

Financial investments at amortized cost include Lebanese government bonds amounting to LL 863.2 billion (2017: LL 152.7 billion) pledged to the Central Bank of Lebanon against term loans.

33 ASSETS UNDER MANAGEMENT AND ADMINISTRATION

	2018 ***LL million***	*2017* *LL million*
Assets held on behalf of customers (on non-discretionary basis)		
Deposits with Groups	**31,650**	56,954
Financial instruments	**186,106**	162,173
Fiduciary deposits	**69,069**	53,814
	286,825	272,941
Assets under external asset manager services (i)	**107,849**	148,511
Assets under custody	**300,541**	329,372
	695,215	750,824

(i) These represents clients' assets that are held with non-resident Groups and financial institutions and are managed by the Group through a power of attorney.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

34 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group and entities controlled or significantly influenced by such parties.

Transactions with related parties included in the income statement are as follows:

	2018	*2017*
	LL million	*LL million*
Key management compensation		
Board of Directors members' remuneration (note 9)	**5,276**	6,030
Remuneration of key management personnel	**598**	618
Representation fees for key management personnel	**38**	38
Board of Directors attendance fees (note 11)	**811**	470
Life insurance for senior management (note 11)	**113**	113
Taxes on Board of Directors members' remuneration	**-**	406
Management fees (note 9)	**2.691**	1,899

Related parties balances reached LL 170,697 million during the year and the relevant returns paid on related parties amounted to LL 31,975 million.

Other balances with related parties are disclosed below:

	2018	*2017*
	LL million	*LL million*
Due from related parties		
Loans to related parties at amortized cost	**720**	439

Related party balances reported in the off-balance sheet as at 31 December are as follows:

	2018	*2017*
	LL million	*LL million*
Assets under management	**84,466**	59,675
Assets under External Asset Manager Services	**42,398**	23,142
Assets under custody	**55,393**	152,155
Fiduciary deposits	**411**	10,730
	182,668	245,702

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

35 CASH AND CASH EQUIVALENTS

	2018 *LL million*	*2017* *LL million*
Cash and balances with the Central Bank of Lebanon (note 13)	**10,173**	20,842
Due from banks and financial institutions	**74,072**	52,997
	84,245	73,839

36 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Financial assets and liabilities are classified according to a hierarchy that reflects the significance of observable market inputs. The three levels of the fair value hierarchy are defined in section "valuation models" below.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	2018			
	Level 1 LL million	***Level 2 LL million***	***Level 3 LL million***	***Total LL million***
Financials assets at fair value through profit or loss:				
Lebanese Government Bonds	**80**	**-**	**-**	**80**
Participation in funds	**6**	**-**	**-**	**6**
Equity securities	**702**	**-**	**-**	**702**
	788	**-**	**-**	**788**
Financial assets at fair value through other comprehensive income:				
Equity securities	**-**	**-**	**24,978**	**24,978**

	2017			
	Level 1 LL million	*Level 2 LL million*	*Level 3 LL million*	*Total LL million*
Financials assets at fair value through profit or loss:				
Lebanese Government Bonds	198	11,516	-	11,714
Debt securities	-	1,508	-	1,508
Participation in funds	41,883	-	-	41,883
Equity securities	3,811	-	-	3,811
	45,892	13,024	-	58,916
Financial assets at fair value through other comprehensive income:				
Equity securities	-	-	24,959	24,959

The following table shows an analysis of financial instruments not carried at fair value by the level of fair value hierarchy:

	2018				
	Level 1 LL million	***Level 2 LL million***	***Level 3 LL million***	***Total fair value LL million***	***Book value LL million***
Assets for which fair values are disclosed:					
Cash and balances with Central Bank of Lebanon	**3,610**	**1,041,626**	**-**	**1,045,236**	**1,045,236**
Due from banks and financial institutions	**-**	**78,385**	**-**	**78,385**	**78,385**
Financial assets at amortized cost	**356,887**	**1,015,237**	**-**	**1,372,124**	**1,463,891**
Loans and advances to customers at amortized cost	**-**	**-**	**307,024**	**307,024**	**307,024**
Loans and advances to associates at amortized cost	**-**	**-**	**299**	**299**	**299**
Liabilities for which fair values are disclosed:					
Due to Central Bank of Lebanon	**-**	**998,150**	**-**	**998,150**	**998,150**
Due to banks and financial institutions	**-**	**70,180**	**-**	**70,180**	**70,180**
Customers' deposits at amortized cost	**-**	**1,053,982**	**-**	**1,053,982**	**1,053,982**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

36 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	2017				
	Level 1	*Level 2*	*Level 3*	*Total fair value*	*Book value*
	LL million	*LL million*	*LL million*	*LL million*	*LL million*
Assets for which fair values are disclosed:					
Cash and balances with Central Bank of Lebanon	3,785	802,485	-	806,270	806,270
Due from banks and financial institutions	-	66,650	-	66,650	66,650
Financial assets at amortized cost	337,625	452,582	-	790,207	803,342
Loans and advances to customers at amortized cost	-	-	252,106	252,106	252,106
Loans and advances to associates at amortized cost	-	-	518	518	518
Liabilities for which fair values are disclosed:					
Due to Central Bank of Lebanon	-	519,983	-	519,983	519,983
Due to banks and financial institutions	-	87,891	-	87,891	87,891
Customers' deposits at amortized cost	-	866,350	-	866,350	866,350

There were no transfers between levels during 2018 (2017: the same).

Valuation models
The Group measures fair value using the following fair value hierarchy, which reflects the significance of the market inputs used in making these measurements:

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

Valuation technique using observable inputs – Level 2
Financial instruments classified as Level 2 have been valued using models whose most significant inputs are observable in an active market. Such valuation techniques and models incorporate assumptions about factors observable in an active market, that other market participants would use in their valuations, including interest rate yield curve, exchange rates, volatilities, and prepayment and defaults rates.

Valuation technique using significant unobservable inputs – Level 3
Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price. An input is deemed significant if it is shown to contribute more than 10% to the valuation of a financial instrument.

Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

Assets and liabilities measured at fair value using a valuation technique with significant observable inputs (Level 2)

The Group values these securities using discounted cash flow valuation models where the lowest level input that is significant to the entire measurement is observable in an active market. These inputs include assumptions regarding current rates of interest, implied volatilities, credit spreads and broker statements.

Assets and liabilities carried at fair value using a valuation technique with significant unobservable inputs (Level 3)

Equity shares of non-listed entities
The Group's investments at fair value through other comprehensive income are not traded in active markets. These are investments in private companies, for which there is no or only limited sufficient recent information to determine fair value. The Group determined that cost adjusted to reflect the investee's financial position and results since initial recognition represents the best estimate of fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

36 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

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

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

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

Assets and liabilities not carried at fair value, for which fair value approximates carrying value
For financial assets and financial liabilities that have a short term maturity, it is assumed that the carrying amounts approximate their fair values. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

37 RISK MANAGEMENT

37.1 Introduction
Risk is inherent in the Group's activities. The Group is exposed to credit risk, liquidity risk, prepayment risk, operational risk and market risk, the latter being subdivided into trading and non-trading risks. The Board of Directors is ultimately responsible for identifying and controlling risks.

37.2 Credit Risk
Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. Credit risk appetite and limits are set at the Group level by the Board and are cascaded to the entities, which in turn formulate their own limits in line with the Group's risk appetite. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

Credit risk is monitored by the credit risk department of the Group's independent 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 Group 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 Group to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

The Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

37 RISK MANAGEMENT (continued)

37.2 Credit Risk (continued)

37.2.1 Derivative Financial Instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

37.2.2 Credit-related Commitments Risks
The Group makes available to its customers guarantees which may require payments on their behalf. Such guarantees expose the Group to risks similar to balance sheet exposure and they are mitigated by the same control processes and policies.

37.2.3 Impairment assessment

The references below show where the Group's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the *Summary of significant accounting policies*.

37.2.3.1 Definition of default and cure
The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of Groupruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Group 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 Group; and
- based on data developed internally and obtained from external sources.

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

The definition of default largely aligns with that applied by the Group for regulatory capital purposes.

As a part of a qualitative assessment of whether a customer is in default, the Group carefully considers whether the events listed above should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least twelve consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition. The Group's criterion for 'cure' for ECL purposes is less stringent than the 12 months requirement for forbearance, which is explained in the *Summary of significant accounting policies*.

37.2.3.2 The Group's internal rating and PD estimation process
The Group's independent Credit Risk Department operates its internal rating models. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilize supplemental external information that could affect the borrower's behavior. These information sources are first used to determine the PDs which are then adjusted for IFRS 9 ECL calculations to incorporate forward looking

information and the IFRS 9 Stage classification of the exposure. This is repeated for each economic scenario as appropriate.

37 RISK MANAGEMENT (continued)

37.2 Credit Risk (continued)

37.2.3 Impairment assessment (continued)

37.2.3.2 The Group's internal rating and PD estimation process (continued)

The following are additional considerations for each type of portfolio held by the Group:
Treasury, trading and interbank relationships
The Group's treasury, trading and interBank relationships and counterparties comprise Lebanese and other sovereign institutions, financial services institutions, Groups, exchanges and clearing-houses. For these relationships, the Group's credit risk department analyses publicly available information such as financial information and other external data, e.g., the rating of Moodys and S&P Rating Agencies, and assigns the internal rating. The PD's associated with each grade are determined based on realized default rates over the prior 12-month period as published by the rating agency.

Corporate lending
For corporate loans, the borrowers are assessed by specialized credit risk employees of the Group. The credit risk assessment is based on a credit scoring model that takes into account various historical, current and forward-looking information. This assessment will determine the internal credit rating and PD.

Retail loans
Retail lending are rated by an automated scorecard tool primarily driven by days past due. Other key inputs into the models are used which impact their credit worthiness such as: unemployment and previous delinquencies in client history. This score is mapped to a PD.

37.2.3.3 *Exposure at default*
EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques. As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

EAD for credit cards and other revolving facilities is set out in *Summary of significant accounting policies*.

The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Group's models.

37.2.3.4 *Loss given default*

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

The Group estimate LGD parameters based on the history of recovery rates of claims against defaulted counterparties. It considers the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD rates are recalibrated for different economic scenarios.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

37 RISK MANAGEMENT (continued)

37.2 Credit Risk (continued)

37.2.3 Impairment assessment (continued)

37.2.3.5 *Significant increase in credit risk*
The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers an exposure to have significantly increased in credit risk by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

- For determining whether there has been a significant increase in credit risk, the Group uses a quantitative test based on movement in ORR of the counterparty (which reflects the movement of the PD).
-
- The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. In certain cases, the Group may also consider that events explained in note 37.2.3.1 are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

- When estimating ECLs on a collective basis for a group of similar assets (as set out in 37.2.3.6), the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.
-
- The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews.

37.2.3.6 *Grouping financial assets measured on a collective basis*
As explained in the *Summary of significant accounting policies* dependent on the factors below, the Group calculates ECLs either on a collective or an individual basis.

Asset classes where the Group calculates ECL on an individual basis include:

- All Stage 3 assets, regardless of the class of financial assets
- The Corporate lending portfolio
- The large and unique exposures of the Small business lending portfolio
- The treasury, trading and interGroup relationships (such as Cash and Balances with Central Bank, Due from banks and Financial Institutions, Loans to Groups and Financial Institutions and Reverse Repurchase Agreements, and Financial Assets at Amortized Cost)
- Exposures that have been classified as POCI when the original loan was derecognized and a new loan was recognized as a result of a credit driven debt restructuring

Asset classes where the Group calculates ECL on a collective basis include:

- Stage 1 and 2 Retail and Consumer lending

The Group groups these exposure into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans such as: product type, internal grade, geographic location and exposure value.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

37 RISK MANAGEMENT (continued)

37.2 Credit Risk (continued)

37.2.4 Analysis of inputs to the ECL model under multiple economic scenarios

The Group 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. Key economic variables include, but not limited to, gross domestic product and inflation rate. 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 Group employs statistical models to incorporate macro-economic factors on historical default rates. The Group considers three scenarios (baseline, upside and downside) of forecasts of macro-economic data separately for each geographical segments and appropriate probability weights are applied to these scenarios to derive a probability weighted outcome of expected credit loss. The ECL estimates have been assessed for sensitivity changes to forecasts of macro-variables and also together with changes to the weights assigned to the scenarios. The impact on ECL is not material. The management reviews the methodologies and assumptions including any forecasts of future economic conditions on a regular basis.

37.2.5 Analysis of concentration

The following table shows the maximum exposure to credit risk for the component of the statement of financial position by resident and non-resident.

	2018		
	Resident LL million	***Non resident LL million***	***Net maximum Exposure LL million***
Balances with the Central Bank of Lebanon	**1,045,236**	**-**	**1,045,236**
Due from banks and financial institutions	**7,911**	**70,474**	**78,385**
Financial assets at fair value through profit or loss	**788**	**-**	**788**
Loans and advances to customers at amortized cost	**294,479**	**12,545**	**307,024**
Loans and advances to associates amortized cost	**299**	**-**	**299**
Financial assets at amortized cost	**1,434,092**	**29,799**	**1,463,891**
Financial assets at fair value through other comprehensive income	**24,978**	**-**	**24,978**
Total credit exposure	**2,807,783**	**112,818**	**2,920,601**

	2017		
	Resident LL million	*Non resident LL million*	*Net maximum Exposure LL million*
Balances with the Central Bank of Lebanon	806,270	-	806,270
Due from banks and financial institutions	23,351	43,299	66,650
Financial assets at fair value through profit or loss	58,916	-	58,916
Loans and advances to customers at amortized cost	236,480	15,626	252,106
Loans and advances to associates amortized cost	518	-	518
Financial assets at amortized cost	803,342	-	803,342
Financial assets at fair value through other comprehensive income	24,959	-	24,959
Total credit exposure	1,953,836	58,925	2,012,761

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

37 RISK MANAGEMENT (continued)

37.2 Credit Risk (continued)

37.2.5 Analysis of concentration (continued)

The Group controls credit risk by maintaining close monitoring credit of its assets exposures by industry sector. The distribution of financial assets by industry sector as of 31 December is as follows:

	2018									
	Financial Services and Brokerage LL million	*Government LL million*	*Consumers LL million*	*Retail and Wholesale LL million*	*Construction and Materials LL million*	*Manufacturing LL million*	*Energy and Petroleum LL million*	*Services and Utilities LL million*	*Agriculture LL million*	*Total LL million*
Cash and balances with the Central Bank of Lebanon	**-**	**1,045,236**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,045,236**
Due from banks and financial institutions	**78,385**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**78,385**
Loans and advances to customers and related parties at amortized cost	**-**	**-**	**97,340**	**-**	**25,096**	**5,313**	**121**	**172,624**	**6,829**	**307,323**
Corporate	-	-	55,529	-	10,691	5,251	-	51,011	3,095	125,577
Retail	-	-	41,811	-	14,405	62	121	48,728	3,734	108,861
Other loans	-	-	-	-	-	-	-	72,885	-	72,885
Financial assets at amortized cost	**22,989**	**1,440,902**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,463,891**
Lebanese sovereign and Central Bank	-	1,431,857	-	-	-	-	-	-	-	1,431,857
Other sovereign	-	9,045	-	-	-	-	-	-	-	9,045
Private sector and other securities	22,989	-	-	-	-	-	-	-	-	22,989
	101,374	**2,486,138**	**97,340**	**-**	**25,096**	**5,313**	**121**	**172,624**	**6,829**	**2,894,835**
Financial guarantees	530	-	-	-	3,731	-	-	-	-	4,261
Documentary credit	-	-	-	-	204	-	-	-	-	204
Loan commitments	-	-	43,343	-	-	-	-	-	-	43,343
Other guarantees	-	-	5,475	-	-	-	-	27	-	5,502
	530	**-**	**48,818**	**-**	**3,935**	**-**	**-**	**27**	**-**	**53,310**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

37 RISK MANAGEMENT (continued)

37.2 Credit Risk (continued)

37.2.5 Analysis of concentration (continued)

	2017						
	Financial Services and Brokerage LL million	*Government LL million*	*Consumers LL million*	*Retail and Wholesale LL million*	*Construction and Materials LL million*	*Manufacturing LL million*	*Energy and Petroleum LL million*
Cash and balances with the Central Bank of Lebanon	-	806,270	-	-	-	-	-
Due from banks and financial institutions	66,650	-	-	-	-	-	-
Financial assets at fair value through profit or loss	47,202	11,714	-	-	-	-	-
Loans and advances to customers and related parties at amortized cost	-	-	101,237	-	18,333	516	-
Corporate	-	-	58,743	-	8,066	474	-
Retail	-	-	42,494	-	10,267	42	-
Other loans	-	-	-	-	-	-	-
Debtors by acceptances			1,932	-	-	-	-
Financial assets at amortized cost	2,271	801,071	-	-	-	-	-
Lebanese sovereign and Central Bank	-	801,071	-	-	-	-	-
Private sector and other securities	2,271	-	-	-	-	-	-
	116,123	1,619,055	103,169	-	18,333	516	-
Financial guarantees	-	-	-	-	-	-	-
Documentary credit	-	-	-	-	454	-	-
Loan commitments	-	-	34,962	-	-	-	-
Other guarantees	-	-	2,080	-	-	-	-
	-	-	37,042	-	454	-	-

	Services and Utilities LL million	*Agriculture LL million*	*Total LL million*
Cash and balances with the Central Bank of Lebanon	-	-	806,270
Due from banks and financial institutions	-	-	66,650
Financial assets at fair value through profit or loss	-	-	58,916
Loans and advances to customers and related parties at amortized cost	126,958	5,062	252,106
Corporate	28,622	2,999	98,904
Retail	27,086	2,063	81,952
Other loans	71,250	-	71,250
Debtors by acceptances	-	-	1,932
Financial assets at amortized cost	-	-	803,342
Lebanese sovereign and Central Bank	-	-	801,071
Private sector and other securities	-	-	2,271
	126,958	5,062	1,989,216
Financial guarantees	-	-	-
Documentary credit	-	-	454
Loan commitments	-	-	34,962
Other guarantees	-	-	2,080
	-	-	37,496

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

37 RISK MANAGEMENT (continued)

37.2 Credit Risk (continued)

37.2.5 Analysis of concentration (continued)

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

	2018						*2017*
	Stage 1 Individual LL million	***Stage 1 Collective LL million***	***Stage 2 Individual LL million***	***Stage 2 Collective LL million***	***Stage 3 LL million***	***Total LL million***	*Total LL million*
Balances with the Central Bank of Lebanon							
Neither past due nor impaired	**1,044,794**	**-**	**-**	**-**	**-**	**1,044,794**	806,270
Due from banks and financial institutions							
Neither past due nor impaired	**78,435**	**-**	**-**	**-**	**-**	**78,435**	66,650
Financial assets at amortized cost							
Lebanese sovereign							
Neither past due nor impaired	**1,437,044**	**-**	**-**	**-**	**-**	**1,437,044**	801,071
Other sovereign							
Neither past due nor impaired	**9,045**	**-**	**-**	**-**	**-**	**9,045**	-
Private sector and other securities							
Neither past due nor impaired	**23,680**	**-**	**-**	**-**	**-**	**23,680**	2,271
Loans and advances to customers at amortized cost							
Neither past due nor impaired	**72,124**	**225,891**	**-**	**4,354**	**-**	**302,369**	255,099
Past due but not impaired	**-**	**-**	**1,762**	**-**	**-**	**1,762**	3,801
Individually impaired	**-**	**-**	**-**	**-**	**13,610**	**13,610**	808
Contingent liabilities							
Off balance sheet exposure							
Neither past due nor impaired	**-**	**42,268**	**-**	**-**	**-**	**42,268**	34,962
Individually impaired	**-**	**-**	**-**	**-**	**1,075**	**1,075**	-
Total	**2,665,122**	**268,159**	**1,762**	**4,354**	**14,685**	**2,954,082**	1,970,932

The classification of gross carrying amount of loans and advances to customers at amortized cost as per supervisory ratings and stage allocation is as follows:

31 December 2018	***Stage 1 Individual LL million***	***Stage 1 Collective LL million***	***Stage 2 Individual LL million***	***Stage 2 Collective LL million***	***Stage 3 LL million***	***Total LL million***
Loans and advances to customers at amortized cost						
Regular	**72,124**	**225,891**	**-**	**-**	**-**	**298,015**
Follow up	**-**	**-**	**-**	**4,354**	**-**	**4,354**
Follow up and regulation	**-**	**-**	**1,762**	**-**	**-**	**1,762**
Substandard	**-**	**-**	**-**	**-**	**12,802**	**12,802**
Doubtful	**-**	**-**	**-**	**-**	**808**	**808**
Bad						
	72,124	**225,891**	**1,762**	**4,354**	**13,610**	**317,741**

37 RISK MANAGEMENT (continued)

37.2 Credit Risk (continued)

37.2.6 Analysis to maximum exposure to credit risk and collateral

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

	2018					
	Maximum exposure LL million	*Cash LL million*	*Securities LL million*	*Mortgage LL million*	*Net exposure LL million*	*Associated ECL LL million*
Balances with the Central Bank of Lebanon	**1,044,794**	**-**	**-**	**-**	**1,044,794**	**3,167**
Due from banks and financial institutions	**78,435**	**-**	**-**	**-**	**78,435**	**50**
Financial assets at fair value through profit or loss	**788**	**-**	**-**	**-**	**788**	**-**
Loans and advances to customers at amortized cost	**317,741**	**79,824**	**17,949**	**1,294**	**218,674**	**10,717**
Loans and advances to related parties at amortized cost	**299**	**-**	**-**	**-**	**299**	**-**
Financial assets at amortized cost	**1,468,769**	**-**	**-**	**-**	**1,468,769**	**4,878**
Financial assets through other comprehensive income	**24,978**	**-**	**-**	**-**	**24,978**	**-**
	2,935,804	**79,824**	**17,949**	**1,294**	**2,836,737**	**18,812**

	2017				
	Maximum exposure LL million	*Cash LL million*	*Securities LL million*	*Mortgage LL million*	*Net exposure LL million*
Balances with the Central Bank of Lebanon	802,468	-	-	-	802,468
Due from banks and financial institutions	66,650	-	-	-	66,650
Financial assets at fair value through profit or loss	58,916	-	-	-	58,916
Loans and advances to customers at amortized cost	252,106	72,743	17,896	1,594	159,873
Loans and advances to associates at amortized cost	518	-	-	-	518
Financial assets at amortized cost	803,342	-	-	-	803,342
Financial assets at fair value through other comprehensive income	24,959	-	-	-	24,959
	2,008,959	72,743	17,896	1,594	1,916,726

The main collateral obtained are as follows:

Cash
Cash is obtained from customers and shareholders in the form of pledged deposits against loans granted to formers.

Securities
The balances shown above represent the fair value of securities pledged by the clients and shareholders against loans obtained from the Group.

Mortgage
The Group holds in some cases mortgages over properties. The value shown above reflects the fair value of the property limited to the related mortgaged amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

37 RISK MANAGEMENT (continued)

37.3 LIQUIDITY RISK AND FUNDING MANAGEMENT

Liquidity risk is defined as the risk that the Group 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 Group might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its capital base, manages assets with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities.

The Group maintains a portfolio of highly marketable and diverse assets that assumed to be easily liquidated in the event of an unforeseen interruption of cash flows. The Group also has committed lines of credit that it can access to meet liquidity needs.

Analysis of Financial Assets and Liabilities by Contractual Maturities
The table below summarizes the maturity profile of the Group's financial assets and liabilities as at 31 December.

	2018				
	Up 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	**41,614**	**6,946**	**6,115**	**990,561**	**1,045,236**
Due from banks and financial institutions	**77,125**	**1,260**	**-**	**-**	**78,385**
Financial assets at fair value through profit or loss	**6**	**-**	**80**	**702**	**788**
Loans and advances to customers at amortized cost	**130,828**	**17,993**	**73,327**	**84,876**	**307,024**
Loans and advances to associates at amortized cost	**-**	**-**	**299**	**-**	**299**
Financial assets at amortized cost	**1,357**	**7,774**	**222,402**	**1,232,358**	**1,463,891**
Financial assets at fair value through other comprehensive income	**1,012**	**-**	**-**	**23,966**	**24,978**
Total financial assets	**251,942**	**33,973**	**302,223**	**2,332,463**	**2,920,601**
Financial liabilities					
Due to Central Bank of Lebanon, banks and financial institutions	**26,059**	**-**	**139,837**	**902,434**	**1,068,330**
Customers and related parties deposits at amortized cost	**689,789**	**259,716**	**69,116**	**35,361**	**1,053,982**
Total financial liabilities	**715,848**	**259,716**	**208,953**	**937,795**	**2,122,312**
Net financial assets	**(463,906)**	**(225,743)**	**93,270**	**1,394,668**	**798,289**

	2017				
	Up 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	95,081	166,600	105,540	439,049	806,270
Due from banks and financial institutions	54,215	12,435	-	-	66,650
Financial assets at fair value through profit or loss	22,736	151	-	36,029	58,916
Loans and advances to customers at amortized cost	96,963	14,702	59,340	81,101	252,106
Loans and advances to associates at amortized cost	-	-	518	-	518
Financial assets at amortized cost	1,212	3,336	219,160	579,634	803,342
Financial assets at fair value through other comprehensive income	993	-	-	23,966	24,959
Total financial assets	271,200	197,224	384,558	1,159,779	2,012,761
Financial liabilities					
Due to Central Bank of Lebanon, banks and financial institutions	135,943	166,757	141,781	163,393	607,874
Customers and related parties deposits at amortized cost	666,428	178,861	26,304	38,305	909,898
Total financial liabilities	802,371	345,618	168,085	201,698	1,517,772
Net financial assets	(531,171)	(148,394)	216,473	958,081	494,989

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

37 RISK MANAGEMENT (continued)

37.4 MARKET RISK

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices. Market risks arise from open positions in interest rate and currency rate, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates and foreign exchange rates.

(a) Interest rate risk

The Group's interest sensitivity gap based on the earlier of contractual re-pricing or maturity date at 31 December was as follows:

	2018					
	Up to 3 months LL million	***3 to 12 months LL million***	***1 to 5 years LL million***	***More than 5 years LL million***	***Non-interest sensitive LL million***	***Total LL million***
Financial assets						
Cash and balances with the Central Bank of Lebanon	**137,193**	**6,945**	**6,115**	**867,428**	**27,555**	**1,045,236**
Due from banks and financial institutions	**35,961**	**1,260**	**-**	**-**	**41,164**	**78,385**
Financial assets at fair value through profit or loss	**6**	**-**	**80**	**-**	**702**	**788**
Loans and advances to customers at amortized cost	**131,616**	**17,993**	**74,434**	**82,981**	**-**	**307,024**
Loans and advances to associates at amortized cost	**-**	**-**	**299**	**-**	**-**	**299**
Financial assets at amortized cost	**1,357**	**7,774**	**222,402**	**1,232,358**	**-**	**1,463,891**
Financial assets at fair value through other comprehensive income	**1,012**	**-**	**-**	**-**	**23,966**	**24,978**
Total financial assets	**307,145**	**33,972**	**303,330**	**2,182,767**	**93,387**	**2,920,601**
Financial liabilities						
Due to Central Bank of Lebanon, banks and financial institutions	**26,059**	**-**	**135,859**	**906,412**	**-**	**1,068,330**
Customers deposits and related parties at amortized Cost	**559,522**	**254,180**	**59,273**	**53,970**	**127,037**	**1,053,982**
Total financial liabilities	**585,581**	**254,180**	**195,132**	**960,382**	**127,037**	**2,122,312**
Net financial assets	**(278,436)**	**(220,208)**	**108,198**	**1,222,385**	**(33,650)**	**798,289**

	2017					
	Up to 3 months LL million	*3 to 12 months LL million*	*1 to 5 years LL million*	*More than 5 years LL million*	*Non-interest sensitive LL million*	*Total LL million*
Financial assets						
Cash and balances with the Central Bank of Lebanon	159,569	166,600	10,553	439,032	30,516	806,270
Due from banks and financial institutions	35,787	12,432	-	-	18,431	66,650
Financial assets at fair value through profit or loss	22,736	151	-	11,440	24,589	58,916
Loans and advances to customers at amortized cost	96,920	14,702	59,340	81,100	44	252,106
Loans and advances to associates at amortized cost	-	-	518	-	-	518
Financial assets at amortized cost	1,212	3,336	219,160	574,264	5,370	803,342
Financial assets at fair value through other comprehensive income	-	-	-	-	24,959	24,959
Total financial assets	316,224	197,221	289,571	1,105,836	103,909	2,012,761
Financial liabilities						
Due to Central Bank of Lebanon, banks and financial institutions	135,943	164,388	136,010	171,533	-	607,874
Customers deposits and related parties at amortized cost	601,123	153,239	17,230	51,296	87,010	909,898
Total financial liabilities	737,066	317,627	153,240	222,829	87,010	1,517,772
Net financial assets	(420,842)	(120,406)	136,331	883,007	16,899	494,989

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

37 RISK MANAGEMENT (continued)

37.4 MARKET RISK (continued)

(b) Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Breakdown of assets and liabilities by currency as at 31 December:

	2018			
	LL	***USD***	***Other***	***Total***
	LL million	***LL million***	***LL million***	***LL million***
Assets				
Cash and balances with the Central Bank of Lebanon	**413,727**	**598,213**	**33,296**	**1,045,236**
Due from banks and financial institutions	**4,282**	**67,883**	**6,220**	**78,385**
Financial assets at fair value through profit or loss	**-**	**788**	**-**	**788**
Loans and advances to customers at amortized cost	**107,810**	**184,841**	**14,373**	**307,024**
Loans and advances to associates at amortized cost	**-**	**299**	**-**	**299**
Financial assets at amortized cost	**955,241**	**508,650**	**-**	**1,463,891**
Financial assets at fair value through other comprehensive income	**989**	**23,989**	**-**	**24,978**
Total assets	**1,482,049**	**1,384,663**	**53,889**	**2,920,601**
Liabilities and equity				
Liabilities				
Due to Central Bank of Lebanon and banks on financial institutions	**1,015,674**	**44,681**	**7,975**	**1,068,330**
Customers' and related parties' deposits at amortized cost	**159,836**	**860,536**	**33,610**	**1,053,982**
Total liabilities	**1,175,510**	**905,217**	**41,585**	**2,122,312**
Net exposure	**306,539**	**479,446**	**12,304**	**798,289**

	2017			
	LL	*USD*	*Other*	*Total*
	LL million	*LL million*	*LL million*	*LL million*
Assets				
Cash and balances with the Central Bank of Lebanon	327,997	400,415	77,858	806,270
Due from banks and financial institutions	19,663	39,152	7,835	66,650
Financial assets at fair value through profit or loss	21,537	37,379	-	58,916
Loans and advances to customers at amortized cost	107,668	130,376	13,062	251,106
Loans and advances to associates at amortized cost	-	518	-	518
Financial assets at amortized cost	383,795	419,547	-	803,342
Financial assets at fair value through other comprehensive income	970	23,989	-	24,959
Total assets	861,630	1,051,376	98,755	2,011,761
Liabilities and equity				
Liabilities				
Due to Central Bank of Lebanon and banks on financial institutions	515,225	42,531	50,118	607,874
Customers' and related parties' deposits at amortized cost	110,150	761,902	37,846	909,898
Total liabilities	625,375	804,433	87,964	1,517,772
Net exposure	236,255	246,943	10,791	493,989

The Group's exposure to currency risk

As part of the management of the currency exposure, the Group holds a fixed position with the Central Bank of Lebanon in US Dollars amounting to LL 160,868 million (2017: the same) (as converted at year end rate).

Balances denominated in US Dollars are not considered to constitute a significant currency risk as the exchange rate of the Lebanese Lira against the US Dollar has remained stable in recent years.

37.5 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 Group cannot expect to eliminate all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

37 RISK MANAGEMENT (continued)

37.6 PREPAYMENT RISK

Prepayment risk is the risk that the Group will incur a financial loss because counterparties repay or request repayment earlier than expected. Market conditions causing prepayment is not significant in the markets in which the Group operates. Therefore, the Group considers the effect of prepayment on net interest income not material after taking into account the effect of any prepayment penalties.

38 CAPITAL MANAGEMENT

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, are:

- To comply with the capital requirements set by the regulators of the Grouping markets where the Group operates;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are regularly managed by the Group's management, employing techniques, as requested by the Central Bank of Lebanon, (based on the guidelines developed by the Basel Committee). The required information is filed with the regulator on a semi-annual basis.

The regulatory capital requirements are strictly observed when managing economic capital. The Group complied with all capital ratios requirements throughout the period.

The table below summarizes the composition of regulatory capital ratios for the years ended 31 December 2018 and 2017. The computation of the capital adequacy ratio was performed in accordance with the directives issued by the Grouping Control Commission of Lebanon (BCCL memo no. 5/2016).

Regulatory capital

At 31 December, the capital consists of the following:

	2018 ***LL million***	*2017* *LL million*
Tier 1 capital	**457,536**	428,967
Tier 2 capital	**460**	4,630
Total capital	**457,996**	433,597
Risk weighted assets	**1,241,380**	1,150,683

The capital adequacy ratio as of 31 December is as follows:

	2018	*2017*
Tier 1 capital ratio	**36.86%**	37.28%

39 COMPARATIVE INFORMATION

During the year ended 31 December 2018, the Group reclassified some comparative amounts to improve the quality of the information presented.


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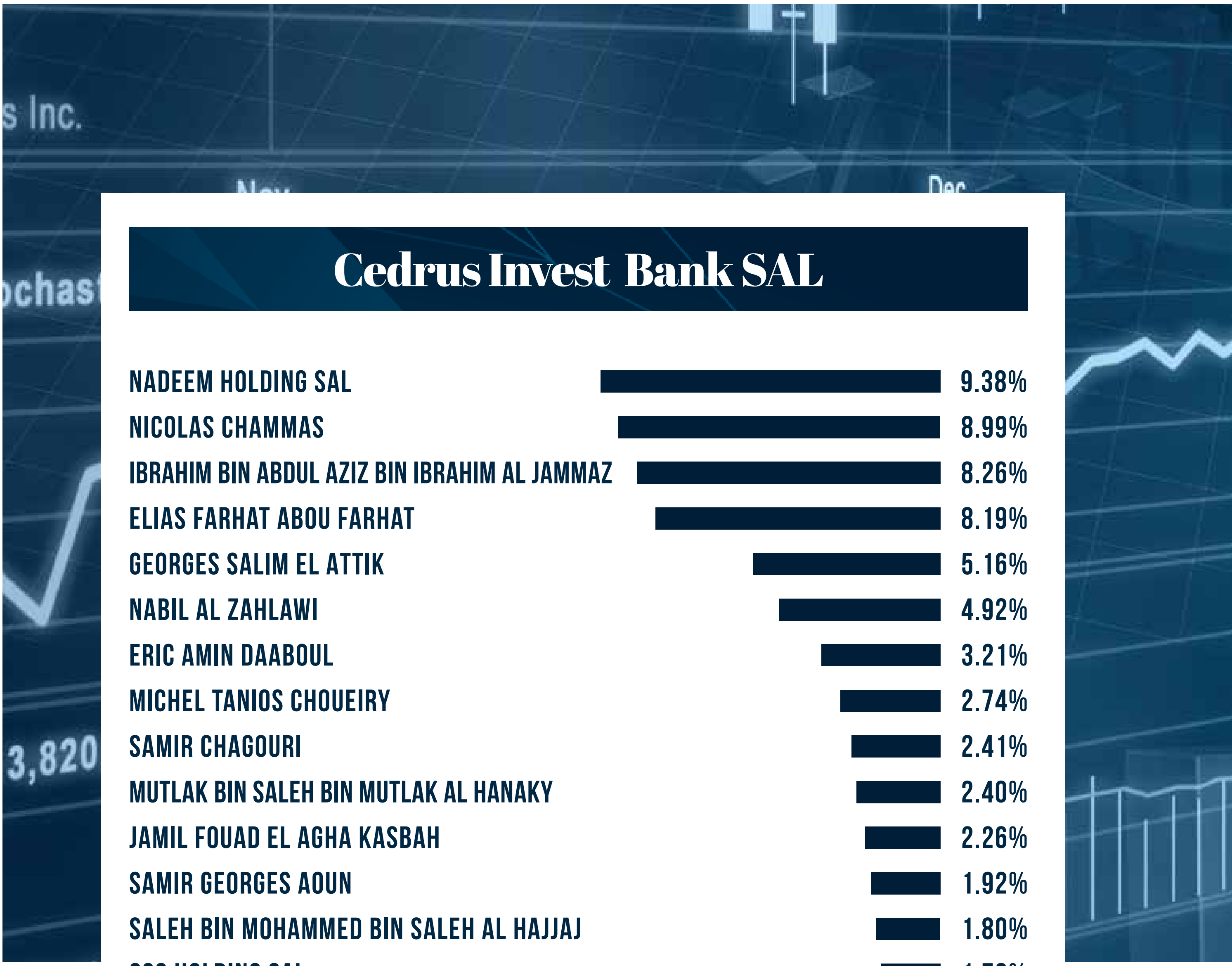
About Cedrus Group

Shareholders



Cedrus Invest Bank SAL

NADEEM HOLDING SAL	9.38%
NICOLAS CHAMMAS	8.99%
IBRAHIM BIN ABDUL AZIZ BIN IBRAHIM AL JAMMAZ	8.26%
ELIAS FARHAT ABOU FARHAT	8.19%
GEORGES SALIM EL ATTIK	5.16%
NABIL AL ZAHLAWI	4.92%
ERIC AMIN DAABOUL	3.21%
MICHEL TANIOS CHOUEIRY	2.74%
SAMIR CHAGOURI	2.41%
MUTLAK BIN SALEH BIN MUTLAK AL HANAKY	2.40%
JAMIL FOUAD EL AGHA KASBAH	2.26%
SAMIR GEORGES AOUN	1.92%
SALEH BIN MOHAMMED BIN SALEH AL HAJJAJ	1.80%
CSC HOLDING SAL	1.76%
ASD HOLDING SAL	1.69%
TONY SALIBA	1.64%
FADLO TANIOS TOUMA	1.64%
RAED FOUAD KHOURY	1.55%
CAPANAMA HOLDING S.A.L.	1.52%
FADI MOSBAH ASSALI	1.45%
OTHERS	27.11%

TOTAL: 100.00%

Cedrus Bank SAL

CEDRUS INVEST BANK	84.916%
NICOLAS CHAMMAS	14.976%
OTHERS	0.108%
	TOTAL: 100.00%

Board of Directors

Each of the Banks have a dedicated Board of Directors that are entrusted with the overall responsibility to direct affairs, create and preserve value through operations, and to uphold shareholders and other stakeholders' interests. In addition to the aforementioned responsibilities, the Board of Directors are also accountable to delegate roles to the upper management, including the definition, scope, frequency and nature of its powers.

Fadi Assali, CFA | CHAIRMAN OF THE BOARD - CEDRUS INVEST BANK

Fadi is a founder of Cedrus Invest Bank SAL. He comes with extensive experience in the banking industry, with focus on wealth management and capital markets. Prior to founding Cedrus Invest Bank, Fadi was a Director at Barclays Wealth, covering the MENA region. His professional experience also includes assuming various key positions with Bank Audi Saradar Group, where he spent more than 12 years servicing clients across the MENA region.

Raed Khoury, CFA | EXECUTIVE BOARD MEMBER - CEDRUS INVEST BANK

Raed is a founder of Cedrus Invest Bank SAL, with extensive experience in the banking industry, with focus on wealth management and brokerage. Prior to founding Cedrus Invest Bank, Raed was a Director at Barclays Wealth, covering the MENA region. He also assumed various key positions with Bank Audi Saradar Group where he spent more than 7 years servicing clients across the MENA region. His professional experience also includes four years at Fidus – Societe Generale Group.

Cedrus Invest Bank

Cedrus Invest Bank's Board of Directors consists of eight Board Members, of which two are Executive members, two are non-Executive members and four are independent members.

Ghassan Ayache | INDEPENDENT MEMBER - CEDRUS INVEST BANK

Dr. Ayache served as an Advisor to Bank Audi from 1993 to 2011 and Head of the Bank's GCC Desk for several years. He played a major role in the establishment of Bank Audi Qatar, where he was a Member of the Board until 2011. Prior to joining Bank Audi, he was Vice Governor of the Central Bank of Lebanon from 1990 to 1993. He authored five books on the financial and banking sectors, in addition to regular specialized editorials and articles on finance and economics.

Elias Abou Farhat | NON-EXECUTIVE MEMBER - CEDRUS INVEST BANK

Elias is the CEO of TRIACTA (NIG.) Ltd., a contracting company specialized in the construction and rehabilitation of roads in the Northern part of Nigeria, a position he has held since 1995. In his capacity as CEO, Elias helped take the company from a yearly turnover of USD300,000 in 1995 to more than USD120 million in 2010, making it one of the fastest growing companies in its field.

Ibrahim Al Jammaz | NON-EXECUTIVE MEMBER - CEDRUS INVEST BANK

Ibrahim is the Vice President of Al Jammaz Group, a family and business group in Saudi Arabia, covering a multitude of activities in agricultural products, software development, telecommunications and food. The Group also handles distribution agreements with different international brands, such as Alcatel, Acer, and Cisco, and is the sole agent for Domino's Pizza and Wendy's across the Middle East. Other activities of the group include real estate investment and development, and equity investments in Saudi Arabia and Lebanon.

Cedrus Invest Bank

Cedrus Invest Bank's Board of Directors consists of eight Board Members, of which two are Executive members, two are non-Executive members and four are independent members.

Assaad Razzouk | INDEPENDENT MEMBER - CEDRUS INVEST BANK

Assaad is the Co-founder of Sindicatum Group, a leading operator of clean energy projects worldwide and producer of sustainable resources from natural products and waste, founded in 2002. As the Group Chief Executive in charge of the Company's strategy and project investments, he has helped expand the Group to China, the US, South East Asia and India. Prior to 2002, he was a former Investment Banker at Nomura International PLC in London, where he assumed various managerial positions.

Ghazi Youssef | INDEPENDENT MEMBER- CEDRUS INVEST BANK

Dr. Youssef is a former Professor of Economics at the American University of Beirut. Currently, he is a member of the Lebanese Parliament and of the Finance & Budget Parliamentary Committee, acting as a major contributor in ratifying the newly enacted Financial Markets Law in Lebanon. He is also serves as the CEO of Middle East Airport Services, a corporation entrusted to maintain and operate the Rafic Hariri International Airport in Lebanon.

Michel T. Choueiry | INDEPENDENT MEMBER - CEDRUS INVEST BANK

Michel is the Founder and Managing Partner of Abou Haidar & Choueiry Law Firm, working as a lawyer and legal advisor to several Lebanese and foreign companies, focusing on legal structure to achieve external growth and restructuring. He is also the Co-founder and Partner of The Back Office, a prominent accounting and related services provider company that assists companies in organizing their businesses in an effective manner. Michel is a member of the Board of Directors of various local and foreign companies with diversified activities.

Cedrus Bank

Cedrus Bank's Board of Directors consists of seven Board Members, of which two are Executive members, three are non-Executive Members and two are independent members.

Fadi Assali, CFA
CHAIRMAN OF THE BOARD - CEDRUS BANK

Raed Khoury, CFA
NON-EXECUTIVE MEMBER - CEDRUS BANK

Ghassan Ayache
INDEPENDENT MEMBER - CEDRUS BANK

Nicolas Chammas | VICE CHAIRMAN - CEDRUS BANK

Nicolas is the Vice Chairman of the Board of Directors at Cedrus Bank SAL and owns 15% of the shares of the Bank. He is also the President of the Beirut Traders Association and a Managing Partner at Elie D. Chammas & Co. Nicolas is a renowned economist and strategy consultant, and the President of the MIT Alumni Association worldwide. He has issued numerous publications and participates in frequent media appearances.

Antoine Gougassian | INDEPENDENT MEMBER - CEDRUS BANK

Antoine is an independent member of the Board of Directors at Cedrus Bank SAL. He oversees a new startup venture based in Dubai, UAE, established in 2013, that focuses on the areas of loyalty, rewards and customer analytics, which are closely linked to the card payment business. Prior to starting this new venture Antoine was at Visa Inc. (formerly known as Visa International) based in Dubai, UAE, where he led all aspects of Visa's business in the Levant region (Lebanon, Jordan, Syria, Palestine and Iraq). Before Visa Inc., Antoine was the Marketing Head for the payment cards business at Bank Audi.

Georges El Atik | NON-EXECUTIVE MEMBER - CEDRUS BANK

Georges is a Non-Executive Director at Cedrus Invest Bank. In the 1980s, he left his lengthy judicial career, to co-found Contracting and Construction Enterprises Ltd. (CCE), a leading contracting company based in Saudi Arabia, specialized in electrical, mechanical and civil engineering for residential, commercial and governmental buildings, as well as infrastructural works and industrial support facilities. Georges is also a partner and co-founder of Saudi Company for Prefabricated Buildings (Newfab) and Saudi Irem (a joint venture with Irem, Italy), a company specialized in the oil, gas, chemical and petrochemical fields.

Michel N. Choueiry | EXECUTIVE MEMBER - CEDRUS BANK

Michel is a Director since 2007 and Chief Financial Officer since 2004. He is a seasoned finance expert with over 20 years of banking experience, having held senior level finance and risk management positions in HSBC and other banks in Lebanon. He has also worked on Peer Reviews in Standard Chartered Thailand and was the Executive in charge of the amalgamation of the Amex Rep Office with Standard Chartered Lebanon in 2008. In 2013 and 2014, he worked on the bidding process managed by Standard Chartered London, for the sale of Standard Chartered Bank SAL, Lebanon and played an integral role in the negotiations and the completion of the transaction.

The Board Committees

The Board Remuneration COMMITTEE

The Board Remuneration Committee exercises competent and independent judgment on the Bank's compensation policies, practices and the incentives they create. The responsibilities of this committee are mainly to:

- Approve and oversee the implementation, design and functioning of the Bank's compensation system
- Ensure that the compensation system is appropriate and aligned with the following:
    - The Bank's overall culture
    - The Bank's long-term business objectives
    - The Bank's risk appetite
    - The Bank's performance
    - The Bank's control environment
    - The legal and regulatory requirements in which the Bank operates
- Analyze the responsibilities, knowledge, experience and competencies of the Board members, in line with their respective roles
- Assist in the assessment of the effectiveness of the Board and the Senior Management

The Board Audit
COMMITTEE

The Board Audit Committee assists the Board of Directors in fulfilling its duties and supervisory role regarding the requirements of internal control and internal audit stipulated in the relevant regulations and recommendations issued by the Central Bank of Lebanon, and the Banking Control Commission, particularly in terms of:

- Oversee competence and autonomy of external auditors and of the Internal Audit Unit, specified in Basic Decision No. 7737 of December 15, 2000
- Control of the soundness of financial statements and review of the disclosure standards adopted by the Bank
- Efficiency and effectiveness of internal control regulations and procedures
- Follow-up of the implementation of remedial measures proposed in the reports of the Internal Audit Unit, the control authorities and the external auditors
- Monitor the Bank's compliance with the regulations and recommendations issued by the Central Bank of Lebanon and the Banking Control Commission

The Board Committees

The Board Risk
COMMITTEE

The Board Risk Committee is in charge of assisting the Board in managing the Bank's current and potential risks, and ensuring availability of proper capital to cover all risk exposures. Risks include: credit risk, market risk, operational risk, legal risk, compliance risk and reputational risk. The main responsibilities of the committee are the following:

- Recommend to the Board, the Bank's risk appetite and tolerance
- Advise the Board on the Bank's overall risk profile
- Review the Bank's risk policies to ensure inclusion of regular updates and best sound practices
- Oversee the implementation of the risk management rules and limits as detailed in the regulations issued by the Central Bank of Lebanon, the Banking Control Commission, and the Group's internal policies

The Board Anti-Money Laundering (AML)
AND COUNTER FINANCING OF TERRORISM (CFT) COMMITTEE

The Board Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Committee ensures the presence of an effective and efficient control environment to protect the Bank against risks of money laundering and the financing of terrorism. This is furthered through the implementation and adherence to a robust compliance program.

The responsibilities of this committee are mainly to:

- Review the reports submitted by the Compliance and Internal Audit Units on adopted procedures, unusual operations, high risk accounts etc.
- Review the reports submitted by the Compliance Unit to the Special Investigation Commission regarding suspicious accounts and/or suspicious operations
- Review the External Audit reports related to compliance and the corrective actions taken in this regard
- Review and approve the Compliance Program
- Review and approve the AML/CFT manual
- Review the Know Your Client (KYC) forms submitted by the Compliance Unit
- Support the Board of Directors in its functions and supervisory role in fighting money laundering and the financing of terrorism
- Assist the Board of Directors in taking the appropriate decisions with regards to fighting money laundering and the financing of terrorism

CEDRUS INVEST BANK

Name	BOD Type	Committees: Audit	Risk	Remuneration	AML/CFT
Fadi Assali	Chairman		Member		Member
Raed Khoury	Executive		Member		Member
Ghazi Youssef	Independent	Chairman		Member	
Michel T. Choueiry	Independent				Chairman
Assaad Razzouk	Independent		Chairman	Chairman	
Ghassan Ayache	Independent	Member			Member
Ibrahim Al Jammaz	Non-Executive	Member		Member	
Elias Abou Farhat	Non-Executive		Member		

CEDRUS BANK

Name	BOD Type	Committees: Audit	Risk	Remuneration	AML/CFT
Fadi Assali	Executive		Member		Member
Nicolas Chammas	Non-Executive	Member			
Raed Khoury	Non-Executive	Member	Member	Member	Member
Ghassan Ayache	Independent		Chairman	Member	Chairman
Antoine Gougassian	Independent	Chairman		Chairman	
Georges El Atik	Non-Executive				
Michel N. Choueiry	Executive		Member		Member

Management Committees

The Senior Management Committee's primary role is to assist the Board of Directors in setting the Group's strategy and to monitor its implementation. The Committee's responsibilities include helping to define the Group's long-term goals and strategy, review risk exposure in coordination with the Risk Management department, assist in reviewing the Group's budget and business plans, and sub-delegate related responsibilities across the Group.

Fadi Assali, CFA	Chairman – General Manager Cedrus Invest Bank Cedrus Bank

CEDRUS INVEST BANK S.A.L

Emile Albina	Assistant General Manager Head of Investment Advisory & Multi-Family Office
Nada Hitti	Assistant General Manager - Group Head of Special Projects
Louis Karam	Director - Head of Trading Desk
Eddy Imad	Managing Director – Private Banking
Simon Abdallah	Head of Risk Management
Christelle Wakim	Head of Compliance
Ziad El Hout	Head of Internal Audit
Malake Halabi	Head of Back Office

Michel Nasri Choueiry	Executive Director - Assistant General Manager Support Functions & Group CFO
Marwan Khaled	Deputy General Manager - Head of Commercial Lending
Raoul Cherfane	Assistant General Manager Head of Retail Banking and Branch Network
Charbel Gharios	Assistant General Manager Head of Treasury & Correspondent Banking
Tony Fenianos	Group Chief Credit & Risk Officer
Elie Barakat	Group Chief Information Officer
Jacqueline Melhem	Group Head of Human Resources
Karim Badreddine	Head of Retail Banking
Joumana Rizk	Group Head of Compliance
Fadi Nahra	Group Head of Internal Audit
May Diab	Deputy Head of Operations
Bedros Amaoghlian	Head of Strategic Planning & Organization
Rosie Azzi Abou Khalil	Head of Marketing & Communications

Management Committees

Operational Risk Committee

The Operational Risk Committee ensures the effective management of Operational Risk throughout the Bank in accordance with the risk directives and limits set by the Board of Directors. It ensures the effective implementation of the Operational Risk policies and procedures and that the operational risk identification, measurement and monitoring techniques, systems, and resources are in place.
The Committee also verifies that all operational incidents are reported in an accurate, exhaustive and timely manner to the Operational Risk Department. Its role also includes:

- Reporting major operational risks to the Board of Directors promptly
- Applying appropriate and efficient controls, mitigation, or transfers of risks
- Taking action in response to material events, risk issues or themes that come to the Committee's attention
- Monitoring material operational risk exposures and key external trends, in
- accordance with operational risk policies and procedures

Cedrus Invest Bank Members

Chairman	Fadi Assali	Chairman - General Manager
Member	Nada Hitti	Assistant General Manager - Group Head of Special Projects
Member	Louis Karam	Director - Head of Trading Desk
Member	Simon Abdallah	Head of Risk Management
Member	Christelle Wakim	Head of Compliance
Member	Francoise Lebnan	Head of Operational Risk
Member	Ziad El Hout	Head of Internal Audit
Member	Malake Halabi	Head of Back Office

Cedrus Bank Members

Chairman	Fadi Assali	Chairman - General Manager
Alternate Chairman	Tony Fenianos	Group Chief Credit & Risk Officer
Member	Michel Nasri Choueiry	Executive Director - Assistant General Manager Support Functions & Group CFO
Member	Marwan Khaled	Deputy General Manager - Head of Commercial Lending
Member	Raoul Cherfane	Assistant General Manager Head of Retail Banking and Branch Network
Member	Elie Barakat	Group Chief Information Officer
Member	Jacqueline Melhem	Group Head of Human Resources
Member	Karim Badreddine	Head of Retail Banking
Member	Joumana Rizk	Group Head of Compliance
Member	Fadi Nahra	Group Head of Internal Audit
Member	May Diab	Deputy Head of Operations
Member	Francoise Lebnan	Head of Operational Risk

Asset and Liability Committee (ALCO)

The role of the Asset and Liability Committee (ALCO) is to maintain a strong balance sheet (Capital & Liquidity) which supports business objectives and complies with regulatory requirements.
It ensures the efficient implementation of balance sheet management policies, as directed by the Board of Directors, reviews reports on liquidity, market risk and capital management and oversees the adherence to applicable limits, policies and regulatory requirements.
The Committee also:

- Identifies balance sheet management issues that are leading to underperformance in specific areas, and refers those that cannot be resolved, to the Board of Directors
- Ensures that business activity is consistent with the structural integrity of the balance sheet
- Manages the balance sheet efficiently, taking a forward-looking view of changes to economic, regulatory and competitive actions
- Reviews asset and deposit pricing strategies

Cedrus Invest Bank Members

Chairman	Fadi Assali	Chairman - General Manager
Member	Emile Albina	Assistant General Manager Head of Investment Advisory & Multi-Family Office
Member	Nada Hitti	Assistant General Manager - Group Head of Special Projects
Member	Louis Karam	Director - Head of Trading Desk
Member	Simon Abdallah	Head of Risk Management
Member	Christelle Wakim	Head of Compliance
Member	Charbel Gharios	Assistant General Manager Head of Treasury & Correspondent Banking

Cedrus Bank Members

Chairman	Fadi Assali	Chairman - General Manager
Member	Michel Nasri Choueiry	Executive Director - Assistant General Manager Support Functions & Group CFO
Member	Raoul Cherfane	Assistant General Manager Head of Retail Banking and Branch Network
Member	Marwan Khaled	Deputy General Manager - Head of Commercial Lending
Member	Charbel Gharios	Assistant General Manager Head of Treasury & Correspondent Banking
Member	Tony Fenianos	Group Chief Credit & Risk Officer
Member	Karim Badreddine	Head of Retail Banking

Management Committees

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

The Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Committee prepares and ascertains the proper implementation of policies and procedures, applying the provisions of the Law on Fighting Money Laundering and Counter Terrorism Financing, and the requirements issued by the Regulatory Authorities.

It also reviews the reports submitted by the Compliance Unit and the Internal Audit Unit on adopted procedures, unusual operations and high-risk accounts, regarding cash deposits, withdrawals and transfers, and the links between these operations and economic activities. The Committee is also responsible to inform the Special Investigation Commission of any suspicious operations which may have occurred on clients' accounts.

Cedrus Invest Bank Members

Chairman	Fadi Assali	Chairman - General Manager
Member	Emile Albina	Assistant General Manager Head of Investment Advisory & Multi-Family Office
Member	Nada Hitti	Assistant General Manager - Group Head of Special Projects
Member	Simon Abdallah	Head of Risk Management
Member	Christelle Wakim	Head of Compliance
Member	Ziad El Hout	Head of Internal Audit
Member	Malake Halabi	Head of Back Office

Cedrus Bank Members

Chairman	Fadi Assali	Chairman - General Manager
Deputy Chairman	Joumana Rizk	Group Head of Compliance
Member	Michel Nasri Choueiry	Executive Director - Assistant General Manager Support Functions & Group CFO
Member	Raoul Cherfane	Assistant General Manager Head of Retail Banking and Branch Network
Member	Tony Fenianos	Group Chief Credit & Risk Officer
Member	Karim Badreddine	Head of Retail Banking
Member	Fadi Nahra	Group Head of Internal Audit
Member	May Diab	Deputy Head of Operations

Information Security Committee

The Information Security Committee assists the Board of Directors and Management in fulfilling their responsibilities by overseeing and reviewing the internal controls to protect information and proprietary assets, as well as the IT governance structure, including related risk policies.

The Committee also reviews and appraises the Bank's adopted IT security governance structure, key policies and critical risk tolerances.

Cedrus Invest Bank Members

Chairman	**Fadi Assali**	Chairman - General Manager
Member	**Nada Hitti**	Assistant General Manager - Group Head of Special Projects
Member	**Simon Abdallah**	Head of Risk Management
Member	**Elie Barakat**	Group Chief Information Officer
Member	**Christelle Wakim**	Head of Compliance
Member	**Ziad El Hout**	Head of Internal Audit
Member	**Daniel Koberssi**	Senior Information Security Officer

Cedrus Bank Members

Chairman	**Fadi Assali**	Chairman - General Manager
Member	**Michel Nasri Choueiry**	Executive Director - Assistant General Manager Support Functions & Group CFO
Member	**Raoul Cherfane**	Assistant General Manager Head of Retail Banking and Branch Network
Member	**Jacqueline Melhem**	Group Head of Human Resources
Member	**Tony Fenianos**	Group Chief Credit & Risk Officer
Member	**Elie Barakat**	Group Chief Information Officer
Member	**Fadi Nahra**	Group Head of Internal Audit
Member	**May Diab**	Deputy Head of Operations
Member	**Francoise Lebnan**	Head of Operational Risk
Member	**Daniel Koberssi**	Senior Information Security Officer

Management Committees

Procedures Approval Committee

The Procedures Approval Committee ensures the presence and proper update of a set of policies and procedures that covers the whole spectrum of services, products and other workflows carried out by the Bank, in line with the applicable laws and regulations. Their role is to also preserve the efficiency and effectiveness of operations while maintaining a controlled environment in line with the Bank's risk appetite.

Cedrus Invest Bank Members

Chairman	Nada Hitti	Assistant General Manager - Group Head of Special Projects
Deputy Chairman Secretary	Marcelle Zeidouni	Policy and Procedure Manager
Member	Simon Abdallah	Head of Risk Management
Member	Christelle Wakim	Head of Compliance
Member	Ziad El Hout	Head of Internal Audit
Member	Malake Halabi	Head of Back Office

Cedrus Bank Members

Chairman	Michel Nasri Choueiry	Executive Director - Assistant General Manager Support Functions & Group CFO
Deputy Chairman	Bedros Amaoghlian	Head of Strategic Planning & Organization
Member	Marwan Khaled	Deputy General Manager - Head of Commercial Lending
Member	Raoul Cherfane	Assistant General Manager Head of Retail Banking and Branch Network
Member	Tony Fenianos	Group Chief Credit & Risk Officer
Member	Joumana Rizk	Group Head of Compliance
Member	Fadi Nahra	Group Head of Internal Audit

Management Commercial Credit Committee

The Management Commercial Credit Committee is authorized to take decisions related to all direct and indirect commercial and business credit exposures, across all types of borrowers and counterparties.

Cedrus Bank Members

Chairman	Fadi Assali	Chairman - General Manager
Member	Michel Nasri Choueiry	Executive Director - Assistant General Manager Support Functions & Group CFO
Member	Marwan Khaled	Deputy General Manager - Head of Commercial Lending
Member	Raoul Cherfane	Assistant General Manager Head of Retail Banking and Branch Network
Member	Tony Fenianos	Group Chief Credit & Risk Officer

Management Retail Credit Committee

The Management Retail Credit Committee is authorized to take decisions related to all direct and indirect credit exposures with individuals for financing needs that are personal, related to housing, and other similar needs.

Cedrus Bank Members

Chairman	Fadi Assali	Chairman - General Manager
Member	Michel Nasri Choueiry	Executive Director - Assistant General Manager Support Functions & Group CFO
Member	Raoul Cherfane	Assistant General Manager Head of Retail Banking and Branch Network
Member	Tony Fenianos	Group Chief Credit & Risk Officer
Member	Karim Badreddine	Head of Retail Banking
Member	Ziad Saarti	Head of Sales
Member	Sally Ayoub	Retail Credit Risk Head

Business Continuity Plan Committee

The aim of the Business Continuity Plan Committee is to create a structure that will enable Cedrus Bank to design and implement an overall Business Continuity strategy. This ensures that the bank is able to continue business operations, even after a major disruption occurs.

Cedrus Bank Members

Chairman	Fadi Assali	Chairman - General Manager
Member	Michel Nasri Choueiry	Executive Director - Assistant General Manager Support Functions & Group CFO
Member	Raoul Cherfane	Assistant General Manager Head of Retail Banking and Branch Network
Member	Charbel Gharios	Assistant General Manager Head of Treasury & Correspondent Banking
Member	Tony Fenianos	Group Chief Credit & Risk Officer
Member	Elie Barakat	Group Chief Information Officer
Member	Jacqueline Melhem	Group Head of Human Resources
Member	Karim Badreddine	Head of Retail Banking
Member	Fadi Nahra	Group Head of Internal Audit
Member	May Diab	Deputy Head of Operations
Member	Francoise Lebnan	Head of Operational Risk
Member	Daniel Koberssi	Senior Information Security Officer
Member	Joseph Azar	Deputy Head of Commercial Lending

Management Committees

Human Resources Committee

The Human Resources Committee creates and oversees Talent Management procedures and processes when required and identifies any potential risks posed by employees, assessing their probable impact on the business, to the members, and if required to the Risk Committee. It develops and implements training and educational strategies for the organization's employees, relevant to their specific needs and ensures that a proper Individual Learning Development Plan (ILDP) is set for each employee. The Committee also reviews the assignment of staff in critical roles and develops succession plans to be put in place.

Cedrus Bank Members

Chairman	Jacqueline Melhem	Group Head of Human Resources
Member	Fadi Assali	Chairman - General Manager
Member	Michel Nasri Choueiry	Executive Director - Assistant General Manager Support Functions & Group CFO
Member	Marwan Khaled	Deputy General Manager - Head of Commercial Lending
Member	Raoul Cherfane	Assistant General Manager Head of Retail Banking and Branch Network
Member	Elie Barakat	Group Chief Information Officer
Member	Tony Fenianos	Group Chief Credit & Risk Officer
Member	Karim Badreddine	Head of Retail Banking

The Credit Committee

The Credit Committee is responsible for:

- Monitoring the performance and quality of the Bank's credit portfolio through the review of selected measures of credit quality and trends
- Overseeing the administration, effectiveness of, and compliance with the credit policies by reviewing such processes, reports and other information as it deems appropriate
- Reviewing and approving granted loans, taking into consideration applied internal requirements and those set by the Central Bank of Lebanon
- Annually reviewing the leverage limits applied internally, taking into consideration updated circulars from the Central Bank of Lebanon
- Reviewing the management's assessment of the credit losses and the methodology of review and follow up of problematic loans
- Studying and approving counterparties trading limits

Cedrus Invest Bank Members

Chairman	Fadi Assali	Chairman - General Manager
Member	Emile Albina	Assistant General Manager Head of Investment Advisory & Multi Family Office
Member	Nada Hitti	Assistant General Manager - Group Head of Special Projects
Member	Louis Karam	Director - Head of Trading Desk
Member	Simon Abdallah	Head of Risk Management
Member	Christelle Wakim	Head of Compliance
Member	Malake Halabi	Head of Back Office

The Investment Committee

The Investment Committee is responsible for:

- Monitoring investment performance and economic trends
- Providing recommendations concerning the tolerance for risk of the different categories of clients
- Ensuring that investments are made in line with the Bank's investment outlook
- Discussing investment recommendations to be provided by the advisory service in accordance with each client's risk/return profile and investment objectives
- Reviewing the discretionary accounts and setting the investment strategies
- Reviewing the status of the securities portfolio, including gains or losses, maturity profile, rate sensitivity etc.
- Monitoring the management of the investment portfolio, including the purchase, sale, exchange and other disposition of investments taking into consideration the market outlook, clients' risk tolerance and suitability principles
- Ensuring clients' portfolios do not exceed the acceptable levels of risk
- Ensuring that returns from investment are sufficient to cover the risk assumed
- Monitoring trends in the economy in general and interest rates in particular with a view toward limiting any potential adverse impact on clients' portfolios from changes in interest rates
- Approving investment strategies and asset allocation for discretionary accounts for different categories of clients
- Following-up on the implementation of these strategies and asset allocation
- Monitoring compliance and adherence to regulatory frameworks with the Central Bank of Lebanon, the Banking Control Commission (BCC) and Capital Markets Authority regulations

Cedrus Invest Bank Members

Chairman	Fadi Assali	Chairman - General Manager
Member	Emile Albina	Assistant General Manager Head of Investment Advisory & Multi Family Office
Member	Nada Hitti	Assistant General Manager - Group Head of Special Projects
Member	Louis Karam	Director – Head of Trading Desk
Member	Eddy Imad	Managing Director – Private Banking
Member	Simon Abdallah	Head of Risk Management
Member	Christelle Wakim	Head of Compliance

Group Human Resources

The strategic vision of the Cedrus Group has been powered by a growing team of professionals since its founding. As an institution that is driven by long-term goals, the importance of spreading the overarching vision and mission, across all levels, is integral to the Bank's success.

Women RISING TO THE TOP

As part of the Bank's commitment to equality and sustainability, is the bridging of the gender gap at Cedrus Group. Currently, female professionals in the Bank account for more than 45 percent of all senior roles. The founders and Board of Directors believe that having female leaders guiding the institution forward, creates a more balanced culture.

Dynamic YOUTH

Based on the vision of its founders, the Cedrus Group seeks to attract aspiring talent, mainly comprised of young professionals, in order to fuel and foster the innovative spirit of the Bank. At present, nearly 75 percent of the team members at the Cedrus Group are below the age of 40 – positioning the Bank as one that is dynamic and vibrant. The recruitment of qualified young professionals remains as a priority on the Group's agenda.

REWARDING Performance

On a Group level, the Bank aspires to be regarded as an Employer of Choice, with a strongly embedded culture based on performance. Top talent is continuously recognized and rewarded.

The Reward Policy adopted in Cedrus Bank and Cedrus Invest Bank aims to maintain and strengthen a performance-driven system. Criteria for recognition include the individual's achievements and way of delivering results.

INSPIRING Leadership

Leading Cedrus Bank forward and positioning it as the fastest growing banking institution in Lebanon, is the result of hard work and investing in the team. A core milestone which took place in 2018, is the administering of the 'Effective Leader of the Future' workshop, which managers from across Cedrus Group's divisions took part in. Managers underwent an intensive program that involved adopting strategies to implement Change Management and Situational Leadership.

INTERNAL EXTERNAL
Academy & Trainings

The strategic approach of the Bank in terms of Human Resources, is to continually invest in the development of the team. The commitment to ongoing learning allows for the team to create value beyond numbers, aligned with the Bank's vision.

Educational opportunities and trainings are embedded within the culture of the institution, covering numerous realms. The Internal Academy is an institution specialized in in-house learning, with various training options administered by certified and qualified employees. The topics include: Compliance, FATCA, Anti-Money laundering, Risk Mitigation and Management, retail banking, commercial lending, private banking and asset management.

This framework is further strengthened by enrolling top talent in external trainings, to ensure that shared knowledge is aligned with changing market needs and dynamics.

Group Risk Management

RISK MANAGEMENT IS AT THE FOREFRONT OF THE GROUP'S OPERATIONS. TO SAFEGUARD THE INTERESTS OF STAKEHOLDERS AND PROTECT THE GROUP FROM ALL TYPES OF RISKS, WHETHER INTERNAL OR EXTERNAL, EXISTING OR POTENTIAL

In 2018, a substantial part of the Group's risk management activities was focused on strengthening the overall Group's risk profile given the local economic environment. As such, several measures were taken to further mitigate credit, liquidity and market risks.

The risk environment is continually changing, influenced by a range of factors, whether transactional, macroeconomic or political, both on a national and regional level. Therefore, one of the main responsibilities of the Risk Management at Cedrus Invest Bank and Cedrus Bank, is to foresee and mitigate potential risks, requiring ongoing monitoring and assessment. Accordingly, appropriate risk management practices are conceptualized and implemented in both banks.

THE ENHANCEMENT OF THE INTERNAL RISK CULTURE IS CONTINUOUS, WITH THE FOLLOWING RISK MANAGEMENT PRINCIPLES ACTIVELY PRACTICED IN BOTH BANKS:

A functional and active role to identify and manage all types of risks,

through the Board Risk Committees and other delegated Committees. These include the Credit Committee, the Asset-Liability Committee (ALCO), and the Operational Risk Committee. Each Committee's role is to assume overall responsibility for risk oversight within each Bank and across the Group as a whole.

The adoption of a three lines of defense approach:

1. The risk-taking business units:
Responsible for the day-to-day management of inherent risks, in their respective business activities.

2. The risk control units:
Responsible for setting-up the risk management frameworks and developing tools and methodologies for the identification, measurement, monitoring, controlling and stress testing of all risks.

3. The Internal Audit:
The Internal Audit function provides independent assurance of the effectiveness of the processes and approach that is followed.

To further demonstrate the Group's commitment to risk mitigation, the identification of impairments on potential credit losses has been enhanced using more conservative methodologies with respect to international standards stipulated in the IFRS9.

Group Compliance

The notion of compliance within financial institutions has been further cultivated 2018, with growing regulations and standards that are required to be implemented.

The retail and private banking business lines extend a variety of tailored financial services targeting different consumer segments. The services catering to High Net Worth Individuals (HNWI), within the realm of private banking, may appear attractive to money launderers and criminals who seek new means to access the financial system and conceal the true nature of their money.

In that respect, both Cedrus Bank and Cedrus Invest Bank have committed to the highest standards of Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT). Management and employees are bound to adhere to these standards to prevent the misuse of the bank's products and services for illegal purposes. The Group maintains an effective AML/CFT program, one that complies with local regulatory requirements and reflects international standards. This program is revised and amended on an annual basis to ensure its alignment with the Board of Director's strategic vision.

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

Complying with local regulations and international legislation on money laundering and financing of terrorism, effective policies, procedures and management controls have been implemented on a Group level. They include:

- A self-governing Compliance Department—independent from the bank's executive and operational activities—with direct reporting lines to the AML/CFT Board Committee and the Chairman - General Manager
- A dedicated AML Reporting Officer
- Compliance programs approved by the Board of Directors
- The Know Your Client (KYC) policy that includes:
    - Client Acceptance Policy: a guide that specifies the types of accounts the bank accepts to deal with and the types that are not acceptable
    - Customer Due Diligence: a proactive program that sets the requirements for proper client identification, name screening and identification of ultimate beneficial owners, the purpose of an account, and the projected activity of an account. This program allows the bank to detect any unusual activity.
    - Risk-based approach: a process by which clients are classified according to the money laundering and financing of terrorism risks the bank is exposed to. Such classification allows the Bank to effectively identify, assess, manage and mitigate areas of client risk before applying the appropriate levels of due diligence
- Monitoring transactions continuously to detect any unusual, irregular or activity out of the ordinary
- Processes for internal and external reporting of unusual transactions
- Performing continuous and updated AML/CFT training for all employees
- Testing the Compliance Program periodically and independently by the internal audit, external audit, and regulators.

Sanctions

On a Group level, and particularly, Cedrus Invest Bank, the sanction programs established mainly by the United Nations, the United States and the European Union are applied. The Bank screens all names to ensure that no transactions transpire with stated parties on the Specially Designated Nationals (SDN) list.

Cedrus Invest Bank neither conducts business with, derives revenue from, nor has assets in or affiliations to sanctioned countries, mainly Syria, North Korea, Iran and Myanmar.

Tax Compliance

In terms of the Foreign Account Tax Compliance Act (FATCA), Cedrus Invest Bank is a Participating Foreign Financial Institution (PFFI) under GIIN NIVZ7H.00000.LE.422. In terms of Common Reporting Standard (CRS), the bank is operating in a participating jurisdiction.

Cedrus Invest Bank is committed to be fully FATCA and CRS compliant, and this commitment is reflected by its internal FATCA and CRS policies and procedures and by a technical infrastructure that detects reportable accounts.

Anti-bribery and Corruption

In 2009, Lebanon ratified the United Nations Convention against Corruption (UNCAC). Cedrus Invest Bank follows this convention and has strict prohibitions against bribery and corruption when dealing with both clients and suppliers.

Relationships with Correspondent Banks

The stringent customer due diligence measures that Cedrus Invest Bank performs on each cross-border transaction, ensure that such transactions are justified by the profile of the customer or by reliable supporting documents. In addition to this, Cedrus Invest Bank is fully committed to respecting all the international standards that govern these relationships—mainly Wolfsberg Transparency Principles—and to responding to all the inquiries or demands of the correspondent banks in a prompt, clear, transparent and accurate manner.

Commercial lending

Small and medium sized enterprises (SMEs) are core drivers of the Lebanese economy, employing a wide margin of the qualified workforce. Initiatives taken by private sector organizations have shaped the country and made an impact globally, through the export of services and products. As such, in 2018, Cedrus Bank's focus was to support SMEs to achieve higher levels of growth and provide them with access to funding for advancement prospects.

The introduction of the Professional Loan, for entrepreneurs and SME owners provided one step in this direction, which was well received by a growing number of new clients.

Overdraft facilities

To finance the working capital and the business' operating expenses.

Short, medium & long-term loans

To finance specific capital expenditure and real estate business development.

Goods financing facilities

Offered either totally or partially for the purchasing of goods or raw materials and provide support to the business' receivables.

Letters of Credit

Covers the import and export activities of a firm, at sight (within 5 to 10 days) or deferred payments, with the possibility of covering invoices post-financing, based on the activity.

Bank Guarantees & Bonds

Encompasses the issuance of a variety of bonds such as: bids, performance, payments, advance payments, etc.

Corporate Banking & Small and medium enterprises (SMEs)

SME loans

with competitive interest rates in cooperation with international institutions (EIB, etc...).

Discounted Bills

To provide liquidity to the clients based on their receivables.

Foreign Exchange Facilities

Offers timely, as well as forward-looking or future foreign exchange transactions.

Subsidized Loans

Granted in collaboration with the circulars issued by the Central Bank of Lebanon, and offered in four main sectors: Industry, agriculture, tourism, new technologies and real estate.

Incentive Loans

To finance the acquiring of commercial business premises and the purchase of several fixed assets necessary for the business activity, in collaboration with the Central Bank of Lebanon, with an acceptable debit interest rate.

Energy and Green Loans

To finance different kinds of projects involved in the ecological enhancement and sustainable energy.

Media Subsidized Loan

To finance media production in collaboration with the Central Bank of Lebanon.

Project Financing

To finance the execution of different projects in various fields, such as: Real estate, construction, hospitality, tourism, industry, trade and others.

Kafalat Loans

All Kafalat programs are offered by the Bank. These include: Basic, Plus, Innovative, Startup, Agriculture and Energy. These programs provide the opportunity of affordable financing to the initiation of new projects or the expansion of existing businesses in different suitable economic sectors.

The Treasury Department

OFFERS A WIDE RANGE OF PRODUCTS

The Treasury Department offers a wide range of products, customized based on the diverse needs of every customer. The specialized team develops innovative strategies, evaluates and monitors customer activity and protects investments in a fluctuating marketplace. The Treasury team handles the execution of all transactions and monitors them, to mitigate any potential risks and safeguard accounts.

The product range covers simple Foreign Exchange (FX) transactions, to more complex derivatives to meet customers' needs, and hedge their currency exposure.

In the current market climate, with volatile and unanticipated currency fluctuations, companies and individuals may be exposed to uncalculated risks. As such, the FX team offers multiple products that hedge losses and allows clients to retain control. The products include:

- Forward
- Vanilla Options
- Exotic Options
- DCDs
- TGFs

Investment Banking Offerings

The offerings at Cedrus Invest Bank are coordinated by a team of highly qualified individuals, with experience in the realms of wealth management, financial advisory, family offices, capital markets, private equity and real estate investment. The Bank has expanded its investment strategy into new markets, to safeguard clients' assets and ensure the balancing of their portfolios.

The dynamic boutique investment bank offers high-quality financial services, catering to the growing demands of today's investors.

The service and product suite include:

Wealth Management

The Wealth Management division is dedicated to finding inventive solutions to complex situations, posed by clients with various, growing demands. The team's responsibilities extend beyond simply processing deposits and extending loans. Rather, the specialized Wealth Management team is dedicated to aiding clients, whether High Net-Worth Individuals (HNWI) and/or their respective families, manage their current wealth, create new sources of income and manage their portfolio for future generations.

A distinctive approach

- Each of the seasoned Relationship Officers at Cedrus Invest Bank is assigned a number of clients with whom he or she would work closely, so as to understand their needs and identify their financial and non-financial goals. Accordingly, the team then derives solutions personalized to each client's exact business and personal requirements.
- The investment advisors and portfolio managers have extensive experience in managing investments based on market knowledge, technical analysis and depth of experience.
- An independent point of view is offered, while taking into consideration the research carried out by international banks, and maintaining an open architecture model.
- Clients have the choice to select their preferred asset booking center—whether locally with Cedrus Invest Bank, or abroad with any of the major banks (mainly in Switzerland) that Cedrus Invest Bank has concluded cooperation agreements with. The dedicated team is responsible to oversee and/or manage the clients' accounts, in both cases.

Two types of Investment Mandates

- Discretionary Management: This approach is designed for clients who either lack the time or resources to monitor the global financial markets themselves. The team works closely with clients to define the investment strategy, taking into account the client's risk profile and other factors. The client then delegates daily investment decisions to the team, who in turn provides regular updates in this regard.
- Advisory Mandate: This approach allows the client to benefit from the expansive knowledge and access to information that the team provides. The team solely plays an advisory role, and the client makes the ultimate investment decisions.

In both cases, clients are kept informed of their portfolios composition and performance through regular reporting.

Multi-Family Office (MFO) Services

Cedrus Invest Bank offers a multitude of differentiated services, of which, the Multi-Family Office services. These services are tailored to the varied needs of families, with specialized teams tasked to identify and coordinate with external experts in various fields, in order to achieve and realize the best possible solutions for families.

Multi-Family Office clients have access to a number of services, namely:

- Consolidation of Assets and Performance Reporting
- Fee Negotiation and Auditing
- Advisory and Discretionary Investment Management
- Wealth Structuring Advisory
- Estate & Wealth Transfer
- Business Succession Planning
- Life Planning and High-Level Concierge Services
- Family Business Advisory
- Entity Administration

Investment Banking Offerings

Capital Markets & Brokerage Services

The Capital Markets & Brokerage team offers a range of services to experienced investors. Services are offered in a swift manner, whereby the team only handles execution of transactions. These services are ideal for experienced investors who are aware of the risks and benefits of dealing in different financial markets and do not require investment advice.

Cedrus Invest Bank has a state-of-the-art trading platform, which provides instant access to all asset classes, covering major global and regional markets at very competitive fee schedules.

Best execution is guaranteed for trading in: Equities, Mutual Funds, ETFs, Structured Products, Futures & Options, Fixed Income instruments and others.

Investment Banking

The specialized Investment Banking Division (IBD) at Cedrus Invest Bank is focused on helping clients achieve their strategic goals through the provision of best-in-class advice and the execution of the simplest to the most complex transactions.

The team delivers personalized, expert strategic advice—including advice on mergers and acquisitions, financing, and other advisory services.

1. Corporate Finance Services include:

- Merger and Acquisition (M&A) Advisory
    - Advisory and representation services for asset purchase, disposition and restructuring
    - Deal structuring and negotiation support
- Financing
    - Raising capital for new projects
    - Private placements
    - Structured solutions including Structured Finance

2. Financial Advisory Services include:

- Financial Due Diligence
- Feasibility Studies
- Business Plans
- Financial Modeling
- Valuations
- Other Advisory Services: Independent Business Reviews, Portfolio Advisory and Commercial Diligence

Private Equity and Real Estate Investments

The Private Equity and Real Estate Investment division is tasked to identify valuable investment opportunities, which clients may not be exposed to or aware of. This is made possible by the team of highly-qualified individuals, carefully chosen to have entrepreneurial mindsets, to actively seek new opportunities.

The team is focused on seizing those opportunities for clients through direct investment vehicles, be it in private equity or real estate.

- Private Equity

  Clients can benefit from the privileged positioning of Cedrus Invest Bank, to invest in select private equity funds, as well as in off-market single transactions.

- Real Estate

  Through this service, clients are granted access to real estate investment opportunities, both locally and internationally, including vacant lands with developmental potential and assets in high-growth areas.

Furthermore, in light of its commitment to support clients and showcase the confidence which exists in investment decisions proposed, Cedrus Invest Bank participates in the equity of the projects it sponsors.

Retail Banking Offerings

Cedrus Bank has augmented its offerings and client portfolio in the retail banking sector, with a newly launched dedicated 24/7 call center to effectively respond to all clients' needs.

The products and services include:

LOANS

Loans	Description	Loan limit (USD)
Personal Loans	Covering any personal financial needs, such as: to settle tuition fees, furnish a home, cover wedding expenses or for loans consolidation.	50,000
Mortgage Loan	A personal loan against a mortgage of property, offering clients advance cash payments, to cover personal financial necessities.	150,000
Car Loan	Tailored plans for new and pre-owned cars, with fast approvals and comfortable repayment schemes.	Flexible
Professional Loan	For business owners to finance their professional aspirations (Doctors, Dentists, Pharmacists, Hairdressers, Nurseries, Bakeries and Mini Markets)	100,000
Housing Loan	For individuals and households, whether Lebanese residents or non-residents a tailored housing loan to purchase their primary or their secondary residence.	1,000,000

BANCASSURANCE

Bancassurance	Description
Education Saving Plans	Bancassurance saving plans are offered in collaboration with Allianz SNA. The Cedrus Education Saving Plan aids clients in increasing their savings and provides them with a life insurance policy and a high return on investment for a minimum of a USD50 premium per month.
Retirement Saving Plans	Bancassurance saving plans are offered in collaboration with Allianz SNA. The Cedrus Retirement Saving Plan helps clients increase their savings and provides them with a life insurance policy and a high return on investment for a minimum of a USD50 premium per month.

SERVICES

Services	Description
Mobile Banking	The Cedrus Mobile Banking application allows clients to enjoy and make use of safe, smart and efficient services.
POS Machines	The latest Point of Sale (POS) terminals, equipped with dial-up, Bluetooth, GPRS and Wi-Fi technologies are now available across stores and merchants in Lebanon.
E-Commerce	The E-commerce platforms from Cedrus Bank, aids the merchants in expanding sales and reach, offering the most secure online payment gateway.
Nationwide Reach	The network and reach of the Bank was further strengthened via strategic alliances with local partners, enabling customers to settle payments in over 900 OMT locations, as well as Point Of Sale (POS) terminals found in stores all over Lebanon.
AUL Tuition Fees	Allowing AUL Beirut students to pay their tuition fees in any Cedrus Bank Branch with no extra charges.
Door to Door Service	Allowing our clients the luxury of the Bank visiting them, to handle needed paperwork.

CREDIT CARDS

Credit Cards	Benefits
Classic Credit Cards	Available in USD & LBP
Platinum Credit Cards	Available in USD, LBP & Euro Acess to 25 airport lounges Purchase Protection and Extended Warranty
Signature Credit Cards	Access to 650 airport lounges Free Travel insurance Fraud Insurance up to USD2,500 Concierge Services free of charge personal assistance, anywhere in the world. Purchase Protection and Extended Warranty
"The Executive" Credit Card	Access to 650 airport lounges Free Travel insurance Fraud Insurance up to USD2,500 Company and Employee Benefits Concierge Services free of charge personal assistance, anywhere in the world. Purchase Protection and Extended Warranty
Infinite Credit Cards	Access to 650 airport lounges for free Free Travel insurance Fraud Insurance up to USD3,000 Concierge Services free of charge personal assistance, anywhere in the world. Purchase Protection and Extended Warranty

Credit Cards additional benefits:

Rewards Program, Up to 5 free phone bills domiciliation, Flexible repayment options , Secure online purchases through 3D secure, Latest Pin & Chip technology, Up to 50 days grace period in case of full settlement before due date (cash withdrawals excluded), Withdrawals at all ATM worldwide and for payments at all sales outlets affiliated to the Visa network.

DEBIT CARDS

Debit Cards	Benefits
Classic Debit Cards	Available in USD & LBP Free cash withdrawals from 350 ATMs across Lebanon
Platinum Debit Cards	Available in USD & LBP Free cash withdrawals from 350 ATMs across Lebanon Purchase Protection & Extended Warranty Reward program (USD 1 spent= 0.5 point) Safety feature (latest Pin & Chip technology) Contactless Payment

INTERNET CARD

Prepaid internet card dedicated for online shopping

REWARDS PROGRAM

Cedrus Bank offers client's exceptional returns on every amount spent. Clients can:

- Earn up to 1.5 Cedrus Blu Points for every USD1 spent depending on the card type
- Redeem points by choosing from an array of gifts, listed on the rewards website
- www.cedrusbank-rewards.com or by downloading the Cedrus Bank Rewards application
- Choose from a wide array of products and gift cards (delivered within 3 days)
- Redeem points for travel packages, airline tickets, hotel bookings, card fees and car rentals
- Book flights on more than 900 airlines worldwide, tax inclusive

Clients can also:

- Pay the difference in points using their credit card
- Accumulate points faster by combining them with Blu Points
- Transfer points to friends or family
- Check their points balance online

Branches & Contacts


CEDRUS
BANK

Cedrus Invest Bank

6th Floor, Cedrus Bank Building,
Dora Highway, Beirut

PO Box: 16-6759 Ashrafieh,
Beirut, Lebanon
Telephone: 01- 236 500
Fax: 01- 255 283

Cedrus Bank HQ

Cedrus Bank Building,
Dora Highway, Beirut

PO Box: 70-216 Antelias,
Lebanon
Telephone: 01- 255 135
Fax: 01- 255 461

Dbayeh Branch

Ground Floor,
Al Mabani-Murr Tower,
Dbayeh Highway, Dbayeh

PO Box: 70-216 Antelias, Lebanon
Telephone: 04 - 419 451
Fax: 04 - 419 461

Dora Branch

Ground Floor,
Cedrus Bank Building,
Dora Highway, Beirut

PO Box: 70-216 Antelias, Lebanon
Telephone: 01- 236 699
Fax: 01 - 255 461

Ashrafieh Branch

Ground Floor,
Cedrus Bank Building,
Charles Malek Avenue, Ashrafieh

PO Box: 11-9747 Beirut, Lebanon
Telephone: 01-217 782
Fax: 01-217 293

Verdun Branch

Ground Floor,
JM Plaza Building,
Rachid Karami Street, Verdun

PO Box: 11-9747 Beirut, Lebanon
Telephone: 01-341 088
Fax: 01 - 742 197

Sin El Fil Branch

Ground Floor,
Debahy Building,
Charles De Gaulle Avenue, Sin el Fil

PO Box: 70-216 Antelias, Lebanon
Telephone: 01- 494 719
Fax: 01- 494 725

Jounieh Branch

Ground Floor,
Abi Nasr Center, Next to the
Municipal Stadium, Jounieh

PO Box: 70-216 Antelias, Lebanon
Telephone: 09 - 635 516
Fax: 09 - 635 816

Tripoli Branch

Ground Floor,
Dabboussi Bldg.,
Abdul Hamid Karami Street, Al Tall, Tripoli

PO Box: 70-216 Antelias, Lebanon
Telephone: 06 - 426513
Fax: 06 - 426977


Tripoli
Jounieh
Dbayeh
Dora
Sin El Fil
SOON IN
Hamra
Ashrafieh
Verdun
SOON IN
Saida
SOON IN
Zahlé