

260632009 at BDL to pay commissions on operations performed with the financial private sector”<sup>75</sup>.

5.8.27 The meeting minutes do not state the identity of the third parties to receive the commissions.

5.8.28 The book entries are summarised in the table below and include the following steps:

- i) BdL sells treasury bills to Optimum Invest SAL with face value of LBP 49,000,000,000 (USD 32,504,146) and accrued interest receivable of LBP 1,503,500,000 (USD 997,347).
- ii) BdL immediately buys back from Optimum Invest SAL the same treasury bills at a premium of LBP 35,488,500,000.
- iii) The additional premium of LBP 35,488,500,000 is transferred (debited) from the Financial Operations RTGS clearing account and credited to the consulting account, increasing the credit balance on the account.
- iv) At the year end, on 30 December 2015, the balance on the accrued interest receivable account is transferred to an Issuing Premium account. This is reversed on 2 January 2016.

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<sup>75</sup> CC Decision 51/30/2015, Central Council meeting minutes, 2 December 2015, translated by A&M from Arabic to English

Table 5.10 Summary of book entries to create Optimum Invest credits

Date	DR / CR	DR Amount (LBP)	CR Amount (LBP)	DR Amount (USD)	CR Amount (USD)	Seq No	CBS account	CBS account name	NPS_MCS	NPS_MCS_Name	Description
17-12-15	DR	50,053,500,000		33,202,985		1	01.001.190901061	Financial Operations RTGS: payment system clearance: operations	610701116	Optimum Invest SAL	TB-LBP-BUY: ISIN-LBT1507250A5, 4900000 TBS, IRT-7.458, CIR-0725, CAT-120.
17-12-15	CR		(49,000,000,000)		(32,504,146)	2	01.001.130411001	Lebanese Tbilis purchased with coupons			TB-LBP-SEL: ISIN-LBT1507250A5, 4900000 TBS, IRT-7.458, CIR-0725, CAT-120.
17-12-15	CR		(1,503,500,000)		(997,347)	3	01.001.131428060	Lebanese Tbilis purchased with coupons - accrued interest			TB-LBP-SEL: ISIN-LBT1507250A5, 4900000 TBS, IRT-7.458, CIR-0725, CAT-120.
17-12-15	CR		(85,554,000,000)		(56,752,239)	1	01.001.190901061	Financial Operations RTGS: payment system clearance: operations	610701116	Optimum Invest SAL	TB-LBP-SEL: ISIN-LBT1507250A5, 4900000 TBS, IRT-7.458, CIR-0725, CAT-120.
17-12-15	DR	36,554,000,000		24,248,093		2	01.001.131428060	Accrued interest - Lebanese Tbilis - financial engineering			TB-LBP-BUY: ISIN-LBT1507250A5, 4900000 TBS, IRT-7.458, CIR-0725, CAT-120.
17-12-15	DR	49,000,000,000		32,504,146		3	01.001.130411060	Lebanese Tbilis - financial engineering			TB-LBP-BUY: ISIN-LBT1507250A5, 4900000 TBS, IRT-7.458, CIR-0725, CAT-120.
17-12-15	DR	35,488,500,000		23,541,294		1	01.001.190901061	Financial Operations RTGS: payment system clearance: operations	610701116	Optimum Invest SAL	TB-LBP-BUY: ISIN-LBT1507250A5, 4900000 TBS, IRT-7.458, CIR-0725, CAT-120.
17-12-15	CR		(35,488,500,000)		(23,541,294)	2	01.001.260632009	Consulting			TB-LBP-BUY: ISIN-LBT1507250A5, 4900000 TBS, IRT-7.458, CIR-0725, CAT-120.
30-06-16	DR	55,619,170,000		36,894,972		1	01.001.190901061	Financial Operations RTGS: payment system clearance: operations	610701116	Optimum Invest SAL	TB-LBP-BUY: ISIN-LBT160768604, 5561917 TBS, IRT-6.740, CIR-0768, CAT-60.
30-06-16	CR		(55,619,170,000)		(36,894,972)	2	01.001.130411001	Lebanese Tbilis purchased with coupons			TB-LBP-SEL: ISIN-LBT160768604, 5561917 TBS, IRT-6.740, CIR-0768, CAT-60.
30-06-16	CR		(74,362,830,290)		(49,328,577)	1	01.001.190901061	Financial Operations RTGS: payment system clearance: operations	610701116	Optimum Invest SAL	TB-LBP-BUY: ISIN-LBT160768604, 5561917 TBS, IRT-6.740, CIR-0768, CAT-60.
30-06-16	DR	18,743,660,290		12,433,605		2	01.001.131428060	Accrued interest - Lebanese Tbilis - financial engineering			TB-LBP-SEL: ISIN-LBT160768604, 5561917 TBS, IRT-6.740, CIR-0768, CAT-60.
30-06-16	DR	55,619,170,000		36,894,972		3	01.001.130411060	Lebanese Tbilis - financial engineering			TB-LBP-BUY: ISIN-LBT160768604, 5561917 TBS, IRT-6.740, CIR-0768, CAT-60.
30-06-16	DR	18,738,035,290		12,429,874		1	01.001.190901061	Financial Operations RTGS: payment system clearance: operations	610701116	Optimum Invest SAL	TB-LBP-BUY: ISIN-LBT160768604, 5561917 TBS, IRT-6.740, CIR-0768, CAT-60.
30-06-16	CR		(18,738,035,290)		(12,429,874)	2	01.001.260632009	Consulting			TB-LBP-BUY: ISIN-LBT160768604, 5561917 TBS, IRT-6.740, CIR-0768, CAT-60.

5.8.29 The second credit was for an amount of LBP 18,738,035,290 (USD 12,429,874) credited to the consulting account on 30 June 2016 which results from Central Council decision 57/15/16 dated 1 June 2016, which states:

*“Perform lending operations to purchase T-bills to be deducted instantly at BDL, the amounts of which will be determined by the Governor later. Record the earned amounts in account number 260632009 to cover and pay commissions on operations with the private financial sector”<sup>76</sup>.*

5.8.30 The book entries are summarised in Table 5.10 and include the following steps:

- i) Societe Financiere Du Liban SAL subscribes to treasury bills with a face value of LBP 228,000,000,000 (USD 151,243,781).
- ii) BdL buys the treasury bills from Societe Financiere Du Liban SAL at face value.
- iii) BdL sells LBP 55,619,170,000 (USD 36,894,972) of the treasury bills to Optimum Invest SAL at face value.
- iv) BdL immediately buys back from Optimum Invest SAL the same treasury bills at a premium of LBP 18,743,660,290 (USD 12,433,605).
- v) The additional premium of LBP 18,743,660,290 (USD 12,433,605) is transferred (debited) from the Financial Operations RTGS clearing account and credited to the consulting account, increasing the credit balance on the account.

2. By transferring credits from the account “Commissions receivable resulting from financial engineering” (01.001.182606001) to the consulting account

5.8.31 Three credits to the consulting account totalling LBP 65,785,967,000 (USD 43,451,762) were debited from the account ‘commissions receivable from financial engineering’ on 24 June 2016 (LBP 3,874,467,000 (USD 2,559,093)), 6 July 2017 (LBP 37,687,500,000 (USD 24,892,668)) and 26 October 2017 (LBP 24,224,000,000 (USD 16,000,000)).

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<sup>76</sup> CC Decision 57/15/16, Central Council meeting minutes, 1 June 2016, translated by A&M from Arabic to English

5.8.32 The 'commissions receivable from financial engineering' account contains commissions charged to banks for the purpose of creating a credit balance that could be used to offset the costs of financial engineering (See decision 36/4/15 "*Central Council adopted Financial Engineering through BDL lending commercial banks amounts to purchase Lebanese T-bills to be discounted at BDL for a commission. The commissions will be recorded in a special account that offsets the cost of the financial correction plan. The mechanism and commission will be determined later by the Governor.*")

5.8.33 We have not identified any specific Central Council decisions or instructions related to these credit entries but note that there are 3 Central Council decisions which approve acceptance of deposits and CDs on which commission of 3/8 of 1% would be charged:

- i) Decision 38/19/15 dated 22 July 2015 – "*Accept deposits and CDs with a cap of USD 1b for long-term maturity where the interest and maturity will be determined by the Governor later at a commission of 3/8*".
- ii) Decision 47/16/16 dated 8 June 2016 – "*Accept long-term deposits and CDs with a cap of USD 1b in which the interest and maturity will be determined later by the Governor at a commission of 3/8*".
- iii) Decision 33/18/16 dated 22 June 2016 – "*Accept deposits or CDs with a cap of USD 2b for long maturity, the interest and maturity will be determined later by the Governor with a commission of 3/8*"

3. From payment transfers received from AM Bank SAL

5.8.34 Three credits to the consulting account totalling LBP 20,590,399,640 (USD 13,600,000) were debited to the operations payment systems RTGS account as payments received from AM Bank SAL on 13 June 2017 (LBP 13,474,599,640 (USD 8,900,000)), 23 January 2018 (LBP 1,059,800,000) (USD 700,000) and 7 February 2019 (LBP 6,056,000,000 (USD 4,000,000)).

5.8.35 We have not identified any specific Central Council decisions or instructions related to these credit entries.

5.8.36 The above approvals appear highly irregular. They indicate that consulting commissions were not charged regularly on deals specifically introduced by certain entities but that

schemes were developed with the express purpose of raising funds to pay consulting commissions, to unspecified parties.

*Impact on the audited financial statements*

- 5.8.37 As stated above, the consulting account maps to the accrued expenses and other liabilities line item in the audited financial statements of BdL. A credit balance is maintained on the account at each year end as summarised in Table 5.11 below. The notes to the financial statements (usually Note 25 or 26) break down the accrued expenses under several sub-headings. There is no explanation in the notes of the consulting commission payments – the credit balances are included in a line item titled ‘Accrued Expenses’. The movement in the consulting account each year accounts for a large part of the movement in the overall accrued expenses line item.

**Table 5.11 Credit balance remaining on the consulting account at each year end – included in accrued expenses<sup>77</sup>**

	Balance on consulting account		YoY movement		Balance in 'accrued expenses'	
	LBP	USD	LBP	USD	LBP	USD
31-Dec-14	27,866,153,322	18,485,010			63,236,668,000	41,948,038
31-Dec-15	27,350,765,822	18,143,128	(515,387,500)	(341,882)	85,895,195,000	56,978,570
31-Dec-16	1,268,112	841	(27,349,497,710)	(18,142,287)	50,866,309,000	33,742,162
31-Dec-17	43,593,367,752	28,917,657	43,592,099,640	28,916,816	118,016,354,000	78,286,139
31-Dec-18	16,760,745,752	11,118,239	(26,832,622,000)	(17,799,418)	107,696,356,000	71,440,369
31-Dec-19	106,745,752	70,810				
31-Dec-20	106,745,752	70,810				

*Commercial bank contracts*

- 5.8.38 A&M has requested sample contracts and agreements related to the consulting commission payments and the transactions they supposedly relate to. We have been provided with one Forry agreement dated 6 April 2002 and a summary of the commissions, but we have not been provided with any other agreements, invoices or information on the beneficiaries of the commission payments which occurred during the Review Period.

- 5.8.39

Findings

<sup>77</sup> Information from BdL’s audited financial statements 2015 – 2018; CBS and ERP records.



- i) We have verified the 2015 payment made to HSBC for the benefit of Forry against bank accounting and payment records.
- ii) We have identified a further USD 107,728,745 million in payments from the same account to 7 banks – one Swiss bank and 6 Lebanese banks.
- iii) We cannot confirm from the BdL records the ultimate beneficiary name or account of the transfers out from the consulting account as BdL has removed both the beneficiary details from the SWIFT extracts, and the transaction narrative fields from the Core Banking extracts provided to A&M, citing the banking secrecy law.
- iv) Information contained in these fields would confirm the identity of the beneficiary of the transfers and is key to finalising our investigation of these transfers.
- v) For transfers made to unknown beneficiaries between 22 April 2015 and 9 September 2019, credited to six Lebanese banks for a total of LBP 149,985,971,000 (USD 99,093,057), we have confirmed the source of funds that generated the ability to make the transfers out – the amounts were generated from transactions designed specifically to raise funds for the payment of these commissions.
- vi) The book entries are not as would be expected – commissions are not linked to the underlying transactions and are not directly charged to the banks.
- vii) Year end balances on the Consulting account are recorded in the audited financial statements as Accrued Expenses with no detailed explanation. A&M disagrees with BdL’s description of the Consulting account as an “off-balance sheet account”. The term “off-balance sheet” refers to certain assets and liabilities that do not appear on an entity’s balance sheet.
- viii) The credits were in part approved by the Central Council according to minutes of the meetings. Amounts and the destination of transfers were set by the Governor.

- ix) BdL has to date provided no further documentation or explanation of the book entries and transfers to and from the consulting account during the Review Period.
- x) We have identified no records to confirm that a service was actually performed to justify the consulting payments.

## 5.9 Riad Salameh accounts analysis

### Swiss MLAR

5.9.1 The Swiss MLAR also details further information on various transfers from the accounts of Riad Salameh held at BdL to accounts held in his name with Swiss banks, including:

- i) Transfers totalling USD 7.5m to a UBS account in the name of Riad Salameh between April 2012 and January 2018 from an account held at BdL with IBAN no. LB38 0999 0000 0001 0029 1285 0112, invested in financial bonds.
- ii) Transfers totalling USD 4.15m to a Credit Suisse account in the name of Riad Salameh since June 2016 from an account held in the name of Riad Salameh at BdL, largely invested in financial bonds.
- iii) Transfers made on 8 November 2018 to a Banque Pictet & Cie SA account in the name of Riad Salameh – EUR 2m from his BdL account IBAN no. LB30 0999 0000 0001 0699 1285 0112 and USD 3m from account with IBAN no. LB38 0999 0000 0001 0029 1285 0112 – invested in financial bonds.

### Analysis of Riad Salameh accounts

5.9.2 A&M has conducted an analysis of accounts held at BdL in the name of Riad Salameh. Salameh maintains five accounts at BdL: an LBP salary account; an LBP loan account; a USD account; a EUR account and a GBP account. The total movements (debits and credits) by year and by account are shown in USD equivalent in Table 5.12 below, net of FX transfers between accounts. A more detailed breakdown of the debits and credits by transaction type is included in Appendix 10.

5.9.3 Over the 6-year period from 2015 to 2020 a total of USD 98.8m, an average of USD 16.5m per annum, was credited to the accounts and USD 103m was debited to the accounts.

**Table 5.12 Summary of annual debits and credits across five Riad Salameh accounts (excluding FX transfers), 2015 to 2020<sup>78</sup> (USD equivalent values)**

IBAN	Ccy	Year	Cr	Dr
LB8309990000001001912850112 'Salary account'	LBP	2015	301,902	1,137,399
		2016	305,861	1,211,939
		2017	303,072	1,151,296
		2018	302,050	1,513,759
		2019	2,169,927	1,871,767
		2020	320,924	1,683,954
Total			<b>3,703,736</b>	<b>8,570,114</b>
LB5709990000001001912850871 'Loan account'	LBP	2015	19,988	19,988
		2016	19,988	20,042
		2017	20,042	19,988
		2018	19,988	19,988
		2019	19,988	19,988
		2020	19,988	20,042
Total			<b>119,980</b>	<b>120,035</b>
LB3809990000001002912850112 'USD account'	USD	2015	17,772,782	9,840,847
		2016	35,505,000	21,351,125
		2017	13,375,000	7,423,935
		2018	12,672,500	12,748,309
		2019	12,451,513	6,122,478
		2020	1,125,000	5,222,686
Total			<b>92,901,795</b>	<b>62,709,380</b>
LB3009990000001069912850112 'EUR account'	EUR	2015	1,408,210	10,285,566
		2016		5,483,255
		2017		3,212,259
		2018		2,639,379
		2019		1,212,015
		2020		546,383
			<b>1,408,210</b>	<b>23,378,856</b>
LB9709990000001005912850112 'GBP account'	GBP	2016	675,000	8,275,500
		Total		
All accounts		2015	19,502,882	21,283,800
		2016	36,505,849	36,341,860
		2017	13,698,114	11,807,477
		2018	12,994,538	16,921,435
		2019	14,641,428	9,226,247
		2020	1,465,912	7,473,065
Grand total			<b>98,808,722</b>	<b>103,053,885</b>

5.9.4 The LBP salary and loan accounts show salary receipts of a total of approximately USD 1.5m, approximately USD 250,000 per annum, USD 20,000 per annum of which goes towards interest on a loan. Salary receipts account for just 1.5% of total credits to the accounts. The vast majority of credits are from cheque deposits, totalling USD 95.9m over the 6-year period, 97% of which are USD deposits, with small amounts in LBP and EUR. We have not confirmed the source of receipts of the cheques.

<sup>78</sup> Sourced from CBS.



5.9.5 With regards to debits or transfers from the account, 76% of the funds (USD 78m) is transferred out through FX transfers in USD (USD 46.4m), EUR (USD 23.4m) and GBP (USD 8.3m).

**Table 5.13 Summary of credits and debits to Riad Salameh accounts by transaction type (USD equivalent)**

Desc	CR	DR
Cheque deposit	95,880,320	
Salary and interest	1,500,887	126,648
Transfers in	1,277,018	
Expenses	81,840	5,332
Cash deposit	68,657	
FX transfers out		78,004,934
Payments		17,252,551
Other transfers out		3,888,673
Transfers within branch		2,009,991
Transfers between head office and branch		780,771
Cash withdrawal		760,521
Cheque payments		224,464
<b>Grand Total</b>	<b>98,808,722</b>	<b>103,053,885</b>

5.9.6 We have traced all transfers over USD 100,000, totalling USD 75m through the SWIFT database. These include a total of 75 overseas FX transfers made to bank accounts held in Switzerland (USD 32.6m), Germany (USD 12.4m), Luxembourg (USD 9.8m), UK (USD 6.6m), Lebanon (USD 5.1m), unknown (USD 3.7m), USA (USD 2.6m) and France (USD 2.3m). See Appendix 10 for the full listing of transfers broken down by jurisdiction, beneficiary bank, currency and year. These transfers include those mentioned in the MLAR that occurred during the Review Period.

Table 5.14 Summary of traced FX transfers out by country, bank and currency (in USD equivalent at average FX rates for the year)<sup>79</sup>

Country	Combined beneficiary	Ccy	2015	2016	2017	2018	2019	2020	Grand Total
Switzerland	Banque Pictet et Cie SA	USD				3,000,000			3,000,000
		EUR				2,360,000			2,360,000
	BSI SA, Lugano, Switzerland	EUR	1,665,000						1,665,000
		USD		3,000,000		1,000,000	150,000		4,150,000
	Credit Suisse (Schweiz) AG	USD		11,000,000	2,000,000				13,000,000
		EUR		4,440,000					4,440,000
UBS Switzerland AG	USD	3,000,000			1,000,000			4,000,000	
<b>Switzerland Total</b>			<b>4,665,000</b>	<b>18,440,000</b>	<b>2,000,000</b>	<b>7,360,000</b>	<b>150,000</b>		<b>32,615,000</b>
Germany	Commerzbank AG, Germany	USD	4,466,800	1,400,000					5,866,800
		GBP		3,375,000					3,375,000
		EUR		333,000	2,260,000		560,000		3,153,000
<b>Germany Total</b>		<b>4,466,800</b>	<b>5,108,000</b>	<b>2,260,000</b>		<b>560,000</b>		<b>12,394,800</b>	
Luxembourg	Bank Julius Baer Europe SA, Luxembourg	USD		500,000		1,000,000	500,000		2,000,000
		EUR	7,215,000						7,215,000
	Commerzbank AG, Luxembourg	EUR	333,000						333,000
	HSBC Private Bank (Luxembourg) SA	EUR	222,000						222,000
<b>Luxembourg Total</b>		<b>7,770,000</b>	<b>500,000</b>		<b>1,000,000</b>	<b>500,000</b>		<b>9,770,000</b>	
UK	Byblos Bank Europe SA, UK	GBP		4,860,000					4,860,000
		EUR					560,000		560,000
	Credit Agricole CIB, UK	USD				500,000			500,000
		USD		647,300					
<b>UK Total</b>			<b>5,507,300</b>		<b>500,000</b>	<b>560,000</b>		<b>6,567,300</b>	
Lebanon	AM Bank SAL	USD		104,454	112,056				216,510
	Audi Private Bank SAL	USD				2,150,000	100,000		2,250,000
	Bank Audi SAL, Lebanon	USD				200,000	200,000	1,400,000	1,800,000
	Byblos Bank SAL	USD					400,000		400,000
	Fransabank SAL	USD		100,000	119,000	100,000			319,000
	Saradar Bank SAL	USD						100,000	100,000
	<b>Lebanon Total</b>			<b>204,454</b>	<b>231,056</b>	<b>2,450,000</b>	<b>700,000</b>	<b>1,500,000</b>	<b>5,085,510</b>
(blank)	(blank)	USD	344,899	946,092	160,080	941,970	1,312,530	3,705,571	
<b>(blank) Total</b>			<b>344,899</b>	<b>946,092</b>	<b>160,080</b>	<b>941,970</b>	<b>1,312,530</b>	<b>3,705,571</b>	
USA	JP Morgan Chase Bank	USD			2,000,000	600,000		2,600,000	
<b>USA Total</b>					<b>2,000,000</b>	<b>600,000</b>		<b>2,600,000</b>	
France	Bank Audi, France	EUR		555,000	438,440	118,000		114,000	1,225,440
		EUR			179,241				179,241
	Caisse des Depots et Consignations, France	EUR	544,899						544,899
	Fransabank France SA	USD					200,000	200,000	400,000
<b>France Total</b>		<b>544,899</b>	<b>555,000</b>	<b>617,681</b>	<b>118,000</b>	<b>200,000</b>	<b>314,000</b>	<b>2,349,580</b>	
<b>Grand Total</b>		<b>17,791,598</b>	<b>31,260,846</b>	<b>7,268,817</b>	<b>12,969,970</b>	<b>3,982,530</b>	<b>1,814,000</b>	<b>75,087,761</b>	

5.9.7 We note that some of these transfers may be for onward transfer to other banks and may not be the ultimate beneficiary banks of the transfers. We are not able to confirm the beneficiary customer or account of the transfers as such information was redacted from the SWIFT database extracts provided to A&M by BdL.

5.9.8 The remainder of the debits to the accounts are primarily USD and LBP payments, other outward transfers and cash withdrawals.

## 5.10 Conclusion

5.10.1 In 2015, BdL reported that it had taken actions to bolster the supply of US Dollars to the Lebanese banking system, through a scheme referred to as “Financial Engineering”. Financial engineering happened in two phases: Phase 1 – 2015 to 2018 swaps with a commission; and Phase 2 – loans under leverage.

<sup>79</sup> Sourced from BdL SWIFT extracts.

- 5.10.2 Financial engineering generated substantial costs, which were partly offset by revenues and by inflated seigniorage assets. The costs and offsets were transferred to the balance sheet, resulting in a substantial overstatement of the profit of the Bdl, avoiding the requirement for a bailout by the MoF and allowing the continued distribution of a target USD 40m to the account of the MoF in years in which the actual losses were several billions of dollars.
- 5.10.3 Ultimately, financial engineering proved insufficient and by September 2019 dollars started to be informally rationed by banks.
- 5.10.4 A&M has completed a preliminary analysis of consulting commissions, however, A&M could not confirm from the Bdl records the ultimate beneficiary name or account of the transfers out from the consulting account. The funds that generated the ability to make the transfers out were generated from transactions designed specifically to raise funds for the payment of these commissions.
- 5.10.5 The book entries are not as would be expected – commissions are not linked to the underlying transactions and are not directly charged to the banks.
- 5.10.6 The consulting commissions are recorded in the financial statements as accrued expenses with no detailed explanation.
- 5.10.7 A&M has also completed a preliminary analysis of accounts held in the name of Riad Salameh. The accounts receive credits, net of FX transfers between accounts, of USD 98.8m over the six-year Review Period, an average of USD 16.5m per year. Credits are largely in the form of cheque deposits. Salary receipts total USD 1.5m, approximately USD 250,000, accounting for 1.5% of total credits.
- 5.10.8 Debits, or transfers out of the accounts, total USD 103m, USD 78m of which are overseas FX transfers in USD, EUR and GBP. We have traced USD 75m through SWIFT records to 23 banks in Switzerland, Germany, Luxembourg, UK, Lebanon, USA and France. These include the transfers mentioned in the Swiss MLAR that occurred during the Review Period.
- 5.10.9 Further investigation is required to confirm the source of the cheque deposits and to identify the ultimate beneficiaries of the outward transfers.

## 6 Bdl's Financial Position

### 6.1 Introduction

6.1.1 In preparing its financial statements, Bdl adopted unconventional accounting policies that it stated were aimed at supporting its duties and authorities under the Code of Money and Credit Law<sup>80</sup>, and in particular, Article 33, which authorises Bdl's Central Council to identify the bank's monetary policies and Article 70 which details the Bank's objectives of "safeguarding a sound Lebanese currency"; "developing the monetary and financial market" and "safeguarding economic stability".

6.1.2 The adoption of these unconventional accounting policies enabled Bdl to present the financial position of the bank in a manner that is not fully transparent. This was done by applying the following accounting treatments:

- i) Deferral of interest costs to increase profitability;
- ii) Creation of seigniorage balances to offset part of the deferred cost of matured CDs and paid coupons on outstanding instruments to increase profitability;
- iii) Overstating the carrying value of the Lebanese treasury bills by not recognizing the impairment in their value;
- iv) Recording of unrealized appreciation / (depreciation) of gold on the balance sheet resulting in understatement / (overstatement) of assets and equity;
- v) Offsetting the MOF USD overdraft liability to Bdl against treasury LBP deposits resulting in an understatement of both assets and liabilities; and
- vi) Offsetting the loans and deposits under leverage agreements resulting in an understatement of both assets and liabilities.

6.1.3 In the following sections, we address each of the unconventional policies applied by Bdl and provide our opinion on the restatements required to enhance the transparency and accurate presentation of the financial statements.

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<sup>80</sup> Exhibit 02 - The Code of Money and Credit Law promulgated by Decree No. 13513 of 1 August 1963.

## 6.2 Policies covering the unconventional accounting

6.2.1 Bdl's financial statements are produced in accordance with accounting policies detailed in the Financial Accounting Manual developed by Bdl (the "Accounting Manual") and approved by the Central Council.

6.2.2 The Accounting Manual was amended, subject to Central Council approval, on 27 January 2016 (decision 22/3/16) and 11 April 2018 (decision 49/12/18), the major changes applied across these years included the following:

- i) The recognition of seigniorage on currency capped at 2.5% of cumulative annual gross domestic product of Lebanon since 2002 was included from the 2016 version;
- ii) The introduction of seigniorage on financial stability from the 2018 version; and
- iii) Extension of the amortization period of the remaining deferred interest cost from the deferral date until the year 2050 based on the central council decision 44/7/15.

6.2.3 We have reviewed the Accounting Manuals dated June 2013, January 2016, and June 2018 and the accounting policies as stated in Bdl's financial statements agree to the policies included in the Accounting Manuals.

6.2.4 The 'Basis of Preparation' note to Bdl's financial statements states:

*"The Central Council, considering its responsibilities for managing the Lebanese monetary policy, adopted the above mentioned accounting policies manual that differs from International Financial Reporting Standards which according to the Bank's Central Council are not appropriate for adoption considering the Bank's objectives and functions."<sup>81</sup>*

6.2.5 Bdl's financial statements, under the note on accounting policies, further states:

*"[...] the adopted framework encompasses the application of policies which are specific to the execution of the role of a Central Bank. These include the recognition of seigniorage*

<sup>81</sup> Bdl audited financial statements for the year ended 31 December 2018



*assets and liabilities on currency, treasury bills and financial stability, deferral of finance costs, deferral of unrealized gains and losses on revaluation of Gold together with the effect of translation of assets and liabilities denominated in foreign currencies, and recognition of the value of currency in circulation in liabilities net of cash held by the bank.”<sup>82</sup>*

### 6.3 Overview of the restatements

6.3.1 Our assessment of BdL’s balance sheet showed that six adjustments needed to be made to enhance the transparency and accurate presentation of BdL’s financial position. The table below summarises the balances on BdL’s balance sheet that are impacted by the adjustments made:<sup>83</sup>

**Table 6.1 Summary of adjustments**

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<sup>82</sup> BdL audited financial statements for the year ended 31 December 2018

<sup>83</sup> Also see Appendix 11 which sets out a matrix of the adjustments made.

FS Line Item	Accounting Policy	Adjustment	Rationale	Impact
<b>Ministry of Finance Overdraft</b>	The MOF overdraft relates to a USD overdraft recorded in a treasury liability account as a contra balance, netted against treasury LBP deposits in the trial balance. The audited financial statements net the overdraft against the deposits.	Dr - Loans and advances, less provision for credit losses Cr - Demand deposits	We consider presenting the balances without the offsets provides better transparency and enables the readers to better understand the make up of the balance sheet items. The adjustment does not have an overall impact on the equity of the bank.	Understating the assets related to loans and advances
<b>Loans under leverage agreements</b>	During the period from 2018 to 2020, BdL adopted the policy of netting the assets and liabilities related to the loans and deposits under leverage agreements.	Dr - Loans under leverage agreements Cr - Term deposits under leverage agreements Cr - CDs under leverage agreements	We consider presenting each of balances related to loans and the deposits under leverage agreements separately provides a more informative presentation given that the loans are in LBP and the deposits are in foreign currency. This adjustment does not have an overall impact on the equity of the bank.	Understating the liabilities related to demand deposits. Understating the loans under leverage arrangements Understating the term deposits and CDs under leverage arrangements.
<b>Seigniorage on currency, treasury bills and financial stability.</b>	Such assets [...] are accumulated over time and BDL uses the credit balance to offset part of the deferred cost of matured certificates of deposit and paid coupons on outstanding instruments originally issued pursuant to the Paris II Summit of Donors to Lebanon as well as deferred costs relating to or derived from other financial instruments. The offset amount, originally booked under deferred interest expense and other finance costs, represents already paid interest expense on matured or discounted certificates of deposit and time deposits, as well as deferred costs relating to or derived from other financial instruments.	Cr - Assets from exchange operations of financial instruments and seigniorage Dr - Income after appropriations	We consider that the complete reversal of the balances related to seigniorage enhances the transparency and accurate presentation of the balance sheet as the seigniorage balances were merely used to reduce the impact of the accumulating costs of the deferred interest expense to enable BDL to overstate its profits.  Also, seigniorage does not fit the definition of an asset as defined by the conceptual framework of financial reporting. Therefore, the adjustment also brings BDL's financial statements in line with the requirement of IFRS	Profit overstatement on the P&L statement. Net asset overstatement on the Balance Sheet. Equity overstatement on the Balance Sheet.
<b>Deferral of interest and finance costs</b>	Interest expense on the certificates of deposit and time deposits, in addition to related cost of discounting is deferred as an offset to provision for contingencies and reversed to the credit side of seigniorage to the extent of available credit balances in seigniorage accounts. Based on a central council decision - the deferred finance cost is amortized over a number of years from the deferral date to end in 2017, extended in 2008, until 2037 and extended further in 2015 until 2050.	Cr - Deferred interest expense and other finance costs Dr - Income after appropriations	We consider that the complete reversal of the balances related to deferred interest costs enhances the transparency and accurate presentation of the balance sheet as these balances are recorded as contra liability and were merely used to reduce the impact of the accumulating costs of the deferred interest expense to enable BDL to overstate its profits as well.  Also, in accordance with IFRS 9, BDL should amortize the deferred interest cost using the effective interest rate method, which requires that BDL amortize the deferred cost as a P&L expense up to the redemption value.	Understatement of finance costs and interest expenses Overstatement of profit Overstatement of equity

<p><b>Impairment of the fair value of treasury bills</b></p>	<p>According to the Impairment section of the notes to the financial statements on Significant accounting policies. The allowance for credit losses is set up against specific accounts to offset the losses that may result therefrom, determined on the basis of an assessment of credit risks which is updated regularly. This credit loss assessment is made based on objective evidence that a financial asset may be impaired. If such evidence exists, the estimated recoverable amount of that asset is estimated based on the difference between the asset carrying value and the present value of future anticipated cash flows discounted at the financial asset's original effective interest rate, taking into consideration the liquidating value of the guarantee in hand. Provisions for credit losses are charged to profit or loss.</p>	<p>Cr - Lebanese treasury bills Dr - Provision for contingencies Dr - Income after appropriations</p>	<p>We consider a more prudent approach towards the recognition of the value of the Lebanese treasury bills is to be conservative and recognize the lower of the carrying value vs the fair value of the asset. Given that there were potential impairments with their value we have adjusted the balances to reflect the fair value of the asset given it is lower than the carrying value.</p> <p>Paragraph 12 of IAS 36 on Impairment of Assets sets out the criteria which indicates that an asset is impaired which includes:</p> <ul style="list-style-type: none"> <li>- significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated.</li> <li>- market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.</li> </ul>	<p>Overstatement of the value of treasury bills and total assets</p> <p>Overstatement of the Provisions for contingencies</p> <p>Overstatement of profits and equity</p>
<p><b>Gold revaluation deferral</b></p>	<p>The unrealized appreciation and depreciation of gold are deferred in accordance with article 115 of the Lebanese money and credit law. The unrealized appreciation and depreciation are recorded on Bdl's balance sheet under a balance called "Unrealized gain on exchange – Article 115".</p>	<p>Dr – Unrealized gain on exchange - Article 115 Cr – Revaluation reserve Dr – General reserve Dr – Income after appropriations</p>	<p>How gold is held as a store of value is not specifically addressed in IFRS, however the World Gold Council has issued a "Guidance for Monetary Authorities on the recommended practice in accounting for monetary gold"<sup>84</sup>. It states "On recognition of unrealized revaluation gains, a monetary authority shall report the valuation gains as other comprehensive income in the statement of other comprehensive income (or equivalent statement). The revaluation shall combine the price and foreign exchange movements as a single valuation entry. The monetary authority shall allocate the gold revaluations to a dedicated gold unrealized revaluation reserve within equity."</p>	<p>For losses on devaluation of Gold :</p> <ul style="list-style-type: none"> <li>- Overstatement of total comprehensive income balance sheet</li> <li>- Equity (OCI) overstatement</li> </ul> <p>For gains on revaluation of Gold :</p> <ul style="list-style-type: none"> <li>- Understatement of total comprehensive income</li> <li>- Asset is understated on the balance sheet</li> <li>- Equity (OCI) Understatement</li> </ul>

<sup>84</sup> Exhibit 14 - Guidance for Monetary Authorities on the recommended practice in accounting for monetary gold

6.3.2 The table below summarises the balances on BdL's balance sheet that are impacted by the adjustments made:<sup>85</sup>

**Table 6.2 Balances impacted by adjustments in LBP'm**

Line-item description	2014	2015	2016	2017	2018	2019	2020
<b>Assets</b>							
Lebanese treasury bills	19,590	25,580	37,350	42,483	44,844	55,627	58,943
Loans and advances, less provision for credit losses	390	387	412	422	420	387	377
Loans under leverage agreements	-	-	-	9,972	41,937	11,994	11,908
Assets from exchange operations of financial instruments and seigniorage	26,011	29,196	29,196	29,898	40,169	53,923	73,023
<b>Liabilities</b>							
Term deposits under leverage agreement	-	-	-	1,248	27,440	-	-
CDs under leverage agreement	-	-	-	-	2,638	-	-
Demand deposits	7,461	7,830	7,728	8,255	7,119	7,939	6,469
Unrealized gain on exchange - Article 115	8,146	6,401	7,707	9,726	9,464	12,835	17,383
Provision for contingencies	3,616	3,697	3,772	3,837	3,864	3,931	3,976
Deferred interest expense and other finance costs	(1,320)	(1,480)	(10,356)	(16,486)	(15,788)	(15,123)	(23,069)
Revaluation reserve	896	1,020	1,020	1,053	1,053	1,053	747
Income after appropriations	76	76	76	76	75	141	-
General reserve	345	360	376	391	406	421	436

6.3.3 If the above balances were to be restated to enhance the transparency and accurate presentation of the financial statements, the following balances would no longer be included as an asset or liability on BdL's balance sheet or restated to reflect their value:

- i) Assets from exchange operations of financial instruments and seigniorage (i.e. the seigniorage on currency, treasury bills and financial stability);
- ii) Deferred interest expense and other finance costs – which would have been recorded through the profit and loss statement, ultimately reducing BdL's equity reserves;
- iii) Unrealized gain on exchange - Article 115 – which would have been recorded through other comprehensive income, ultimately impacting BdL's equity reserves; and

<sup>85</sup> Also see Appendix 11 which sets out a matrix of the adjustments made.



- iv) Lebanese treasury bills – which would have been reduced to reflect their fair value as at each year-end to account for the impairment in value due to the difference between the asset carrying value and the present value of future anticipated cash flows discounted at the financial asset’s original effective interest rate.

6.3.4 The adjusted balances of the financial statements are shown in the table below.

**Table 6.3 Adjusted balances in LBP’bn**

Line-item description	2015	2016	2017	2018	2019	2020
<b>Assets</b>						
Lebanese treasury bills	24,024	30,026	34,538	35,383	47,294	58,943
Loans and advances, less provision for credit losses	387	412	422	20,855	23,672	23,913
Loans under leverage agreements	-	-	9,972	41,937	70,811	11,908
Assets from exchange operations of financial instruments and seigniorage	-	-	-	-	-	-
<b>Liabilities</b>						
Term deposits under leverage agreement	-	-	1,248	27,440	56,178	-
CDs under leverage agreement	-	-	-	2,638	2,638	-
Demand deposits	7,830	7,728	8,255	27,554	31,223	30,005
Unrealized gain on exchange - Article 115	-	-	-	-	-	-
Provision for contingencies	2,141	-	-	-	-	3,976
Deferred interest expense and other finance costs	-	-	-	-	-	-
Revaluation reserve	15,745	17,051	19,103	18,841	22,213	26,455
Income after appropriations	(31,929)	(46,714)	(51,745)	(62,805)	(74,635)	(97,421)
General reserve	(6,636)	(6,621)	(6,605)	(6,590)	(6,575)	(6,560)

6.3.5 The complete adjusted balance sheet for the Review Period is also shown in the table below. The balances affected by the adjustments are shown in RED.



Table 6.4 Adjusted financial statements for the year 2015 to 2020

	2015	2016	2017	2018	2019	2020
	LBP'bn	LBP'bn	LBP'bn	LBP'bn	LBP'bn	LBP'bn
Cash at banks	8,612	9,381	5,993	8,713	17,389	13,336
Reverse repurchase agreement	992	3,211	3,806	958	-	-
Interest bearing time deposits with banks	36,573	38,687	43,246	36,196	18,152	12,571
Lebanese treasury bills	24,024	30,026	34,538	35,383	47,294	58,943
Asset-backed and credit linked notes	659	624	1,214	1,037	864	859
Funds	-	-	-	-	-	265
Government eurobonds	1,352	1,351	2,977	5,761	8,769	5,326
Foreign bonds	7,484	6,135	3,697	2,368	1,816	1,816
Certificates of deposit	243	1,976	1,428	1,618	188	-
Loans and advances, less provision for credit losses	387	412	422	20,855	23,672	23,913
Loans to banks and financial institutions*	6,563	8,458	8,886	10,083	15,620	8,840
Soft loans to banks and financial institutions	615	659	659	659	659	415
Loans under leverage agreements	-	-	9,972	41,937	70,811	11,908
Investments in subsidiaries	1,247	1,247	1,280	1,280	1,280	974
Investment in an associaite	345	345	345	345	345	345
Other investments	11	11	11	11	16	16
Gold, at market value	14,846	16,138	18,033	17,743	21,013	26,116
Real estate acquired in satisfaction of loans to problematic banks	240	233	227	244	286	281
Properties and equipment	91	93	134	103	108	114
Accrued income and other assets	56	72	66	67	101	90
Excess in end-of-service indemnity investment fund	65	48	24	63	65	82
Assets from exchange operations of financial instruments and seigniorage	-	-	-	-	-	-
<b>Total assets</b>	<b>104,406</b>	<b>119,107</b>	<b>136,956</b>	<b>185,425</b>	<b>228,445</b>	<b>166,212</b>
Bank notes in circulation	4,625	5,199	5,573	5,767	10,468	30,820
Coins in circulation	82	86	90	94	96	97
	4,706	5,285	5,662	5,861	10,564	30,918
<b>Banks and financial institutions</b>						
Current and demand deposits	7,008	7,526	10,165	7,001	7,718	20,234
Term deposits	61,057	81,042	103,583	121,351	138,405	125,581
Blocked deposits	251	33	52	30	36	-
Certificates of deposit	43,487	50,448	45,798	42,865	39,528	31,705
Term deposits under leverage agreement	-	-	1,248	-	56,178	-
Certificates of deposit under leverage agreement	-	-	-	2,638	2,638	-
Other	12	10	9	8	14	14
	111,814	139,060	160,854	201,334	244,518	177,534
<b>Public sector</b>						
Demand deposits	7,830	7,728	8,255	27,554	31,223	30,005
Time deposits-margin accounts	277	535	595	444	258	354
Blocked deposits	47	48	42	15	7	15
Other	46	52	49	38	61	58
	8,200	8,364	8,941	28,051	31,548	30,432
Accrued expenses and other liabilities	180	141	564	554	628	691
<b>Total liabilities</b>	<b>124,901</b>	<b>152,850</b>	<b>176,022</b>	<b>235,800</b>	<b>287,259</b>	<b>239,575</b>
Unrealized gain on exchange - Article 115	-	-	-	-	-	-
Provision for contingencies	2,141	-	-	-	-	3,976
Deferred interest expense and other finance costs	-	2,357	-	-	-	-
	-	-	-	-	-	-
Capital	0.015	0.015	0.015	0.015	0.015	0.015
Grants (restricted)	151	151	151	151	151	151
Revaluation reserve	15,745	17,051	19,103	18,841	22,213	26,455
Other reserves	33	32	31	29	33	37
Income after appropriations	(31,929)	(46,714)	(51,745)	(62,805)	(74,635)	(97,421)
General reserve	(6,636)	(6,621)	(6,605)	(6,590)	(6,575)	(6,560)
<b>Total equity</b>	<b>(22,636)</b>	<b>(36,100)</b>	<b>(39,066)</b>	<b>(50,375)</b>	<b>(58,814)</b>	<b>(77,338)</b>
<b>Total liabilities and equity</b>	<b>104,406</b>	<b>119,107</b>	<b>136,956</b>	<b>185,425</b>	<b>228,445</b>	<b>166,212</b>

## 6.4 Loans and Advances

- 6.4.1 The adjustment to the Loans and Advances line item pertains to the recognition of the ministry of finance overdraft amount for the years from 2018 to 2020.
- 6.4.2 We consider the adjustment necessary as it enhances the transparency and accurate presentation of the adjusted line items.
- 6.4.3 The adjustment does not have an impact on the overall equity of BdL as the assets and liabilities are increased by the same amount. The table below shows double sided entry for the adjustment made.

**Table 6.5 - Adjusting entries made to the loans and advances line item in LBP'm**

Line Item	Dr/Cr	2014	2015	2016	2017	2018	2019	2020
Loans and advances, less provision for credit losses	Dr	-	-	-	-	20,435	23,285	23,536
Demand deposits	Cr	-	-	-	-	20,435	23,285	23,536

## 6.5 Loans under leverage agreements

- 6.5.1 The adjustment to the Loans under leverage arrangements line item pertains to the offset of the LBP loans provided to the commercial bank against the foreign currency deposits made with BdL. The arrangements and accounting related to the underlying arrangement made in relation to these loans and deposits are discussed in further detail in the financial engineering section of this report.
- 6.5.2 For the period from 2015 to 2018 the audited financial statements presented the loans provided by BdL and the deposits made against them as separate line items without offsetting the two.
- 6.5.3 In 2018 BdL implemented a change in how it presents its loans under leverage on its balance sheet, offsetting the loans under leverage against the associated deposits. During a CC meeting on 20 March 2019 the Governor explained that the auditors of the commercial banks had requested that they offset their loans under leverage related loans and deposits in order to comply with IFRS 9. The Governor further explained that BdL would perform the same offsetting exercise so that its balance sheet reflects the presentation of the commercial banks' balance sheets.

- 6.5.4 Bdl has commented on the above by stating that *“The Auditors at the time suggested that these loans, specifically loans under leverage agreements against Term Deposits and Certificate of Deposits, be offset against their underlying collateral in order to match the consolidated balance sheet of the commercial banks who have in turn netted their respective positions in their financial statements. Current auditors have also confirmed the legal right of BDL to offset these loans with their respective credit positions”*.
- 6.5.5 In our opinion, each of the loans and deposits need to be presented at gross amounts separately given that the loans provided, and deposits made were in different currencies. Therefore, for enhanced transparency and accurate presentation the amounts recorded in the year 2019 were adjusted in line with the presentation made in the prior years. Although we have not adjusted the 2020 balances due to not having the notes that include the breakdown, we still consider it necessary to be done once the balance sheet is issued.
- 6.5.6 Bdl’s opinion is that the netting was conducted in accordance with accounting standards and not to conceal the true size of the assets and liabilities related to local banks on its balance sheet.
- 6.5.7 The adjustment does not have an impact on the overall equity of Bdl as the assets and liabilities are increased by the same amount. The table below shows double sided entry for the adjustment made.

**Table 6.6 Adjusting entries made to the loans under leverage line item in LBP’m**

Line Item	Dr/Cr	2014	2015	2016	2017	2018	2019	2020
Loans under leverage agreements	Dr	-	-	-	-	-	58,816	-
Term deposits under leverage agreement	Cr	-	-	-	-	-	56,178	-
CDs under leverage agreement	Cr	-	-	-	-	-	2,638	-

## 6.6 Assets from exchange operations of financial instruments and seigniorage

- 6.6.1 Seigniorage in Bdl’s balance sheet is recorded as an asset that is used to reduce the balance on which the amortized interest expense is calculated. Seigniorage as a concept and the accounts that make up the balance recorded on the balance sheet are discussed in more detail in section 3 of this report on understanding the financials.
- 6.6.2 In our opinion, seigniorage is not an asset given that it is not a resource that is controlled by the entity as a result of past events, nor will it have any future economic benefit. Therefore,

we have completely reversed the effect of the seigniorage balance recorded on BdL's balance sheet.

6.6.3 As we have reversed the amount of seigniorage from BdL's balance sheet we have also adjusted the balance against which the interest expense amortized in the year is calculated. However, for the portion of deferred interest related to prior periods, we adjusted these amounts against the opening equity balance.

6.6.4 The adjustment is deemed necessary to ensure BDL's financial statements reflect actual interest cost, net loss, assets, liabilities, and equity. The table below shows double sided entry and the net effect of the adjustment made.

**Table 6.7 Adjusting entries made to the Seigniorage asset line item in LBP'm**

Line Item	Dr/Cr	2014	2015	2016	2017	2018	2019	2020
Assets from exchange operations of financial instruments and seigniorage	Cr	26,011	29,196	29,196	29,898	40,169	53,923	73,023
Income after appropriations	Dr	26,011	29,196	29,196	29,898	40,169	53,923	73,023

## 6.7 Deferred interest expense and other finance costs

6.7.1 In relation to the adjustment made to the deferred interest expense, during the Relevant Period the unamortized premium on CDs in Lebanese Pounds and the deferred interest expense on CDs and terms deposits were recorded in the deferred interest expense and other finance costs balance.

6.7.2 We consider that the complete reversal of the balances related to deferred interest costs enhances the transparency and accurate presentation of the balance sheet as these balances are recorded as contra liability and were merely used to reduce the impact of the accumulating costs of the deferred interest expense to enable BdL to overstate its profits.

6.7.3 IFRS 9 requires that the effective interest method is used to calculate the amortized cost of a financial asset or a financial liability and to allocate the interest cost over the number of periods in which the payments are due for the financial instrument. For simplicity, we have used a one-year amortization period, if we were to use more than a year the interest expense would be less.



6.7.4 Our adjustment to Bdl’s financial statements recognises the unamortized premium on redemption of LBP CDs as an expense in the period that it is charged, impacting the statement of profit & loss, or against the opening equity balance for prior period balances.

6.7.5 The recognition of Deferred interest expense led to the understatement of liabilities and overstatement of equity on the balance sheet, while understating the overall loss. The table below shows the net effect of the double-sided entry for the adjustment made.

**Table 6.8 Adjusting entries made to the deferred interest expense line item in LBP’m**

Line Item	Dr/Cr	2014	2015	2016	2017	2018	2019	2020
Deferred interest expense and other finance costs	Cr	1,320	1,480	12,712	16,486	15,788	15,123	23,069
Income after appropriations	Dr	1,320	1,480	12,712	16,486	15,788	15,123	23,069

## 6.8 Impairment in fair value of Lebanese treasury bills

6.8.1 We consider a more prudent approach towards the recognition of the value of the Lebanese treasury bills is to be conservative and recognize the lower of the carrying value vs the fair value of the asset. Given that there were potential impairments with their value we have adjusted the balances to reflect the fair value of the asset given it is lower than the carrying value.

6.8.2 Paragraph 12 of IAS 36 on Impairment of Assets<sup>86</sup> sets out the criteria which should be considered when assessing the possibility of impairment of an asset which includes the following:

- i) significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated; and
- ii) market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset’s value in use and decrease the asset’s recoverable amount materially.

<sup>86</sup> Exhibit 15 – IAS 36 on Impairment of assets



- 6.8.3 According to the 2019 SPBS note 5 on the Lebanese treasury bills, *“The fair value of the Lebanese treasury bills is determined based on the future cash flows discounted at a rate determined based on the yield curve applicable to Lebanese treasury bonds adjusted for illiquidity factor as applicable. Should impairments be taken into consideration and based on the above fair valuations, there could be a potential impairment trigger in the amount of LBP8,33billion for the year ended December 31, 2019 (LBP3,745billion in 2018).”*
- 6.8.4 In line with the requirements of IAS 36, the fair value of the Lebanese treasury bills was potentially impaired. Therefore, their fair value recorded on the balance sheet has been adjusted to reflect the effect of the impairment.
- 6.8.5 The impairment of the fair value of Lebanese treasury bills affects results in a decrease in the balance of Lebanese treasury Bills line item against a reduction up to the balance of the provisions for contingencies line item with the balance of reduction being recorded as a loss against the income after appropriations line item.
- 6.8.6 Although we have not adjusted the 2020 balances due to not having the notes that include the breakdown, we still consider it necessary to be done once the balance sheet is issued. The table below shows the net effect of the double-sided entry for the adjustment made.

**Table 6.9 Adjusting entries made to the Lebanese treasury bills line item in LBP'm**

Line Item	Dr/Cr	2015	2016	2017	2018	2019	2020
Lebanese treasury bills	Cr	1,556	7,325	7,945	9,461	8,333	-
Provision for contingencies	Dr	1,556	3,772	3,837	3,864	3,931	-
Income after appropriations	Dr	-	3,552	4,108	5,596	4,402	-

## 6.9 Unrealized gain on exchange - Article 115

- 6.9.1 Article 115 of the Lebanese money and credit law states that *“A special account shall be opened in the name of the Treasury for the following entries:*
- i) *The differences between the countervalue of the legal parity rate, of the Bank’s gold and currency holdings, and the actual purchasing or sale value of these holdings;*
  - ii) *The profit or loss entailed by the Bank’s gold and currency holdings from the alteration of the legal parity rate of the Lebanese Pound or of a foreign currency;*

iii) *The sums referred to in articles 55 and 64.”*

6.9.2 Note 27 of the 2018 audited balance sheet states *“The unrealized gain on exchange account represents a specially designated account where the unrealized appreciation/depreciation of gold and net unrealized appreciation/depreciation of translation of assets and liabilities denominated in foreign currencies are deferred in accordance with Article 115 of the Lebanese Money and Credit Law. Also deferred under this account are realized losses on treasury bills swaps and discounts and loss on sale of Eurobonds being a tool used by the Bank to support the stability of the Lebanese pound”*.

6.9.3 Gold held as a store of value is not specifically addressed in IFRS, however the World Gold Council has issued a Guidance for Monetary Authorities on the recommended practice in accounting for monetary gold.<sup>87</sup>

6.9.4 It states *“On recognition of unrealized revaluation gains, a monetary authority shall report the valuation gains as other comprehensive income in the statement of other comprehensive income (or equivalent statement). The revaluation shall combine the price and foreign exchange movements as a single valuation entry. The monetary authority shall allocate the gold revaluations to a dedicated gold unrealized revaluation reserve within equity.”*

6.9.5 Therefore, in line with the recommendations of the guidance issued by the world gold council we have adjusted the balance of the Unrealized gain on exchange – article 115-line item to reflect the balance recorded in under the equity section of the balance sheet. The table below shows the net effect of the double-sided entry for the adjustment made.

**Table 6.10 Adjusting entries made to the unrealized gain on exchange line item in LBP'm**

Line Item	Dr/Cr	2014	2015	2016	2017	2018	2019	2020
Unrealized gain on exchange - Article 115	Dr	8,146	6,401	7,707	9,726	9,464	12,835	17,383
Revaluation reserve	Cr	16,471	14,725	16,032	18,050	17,789	21,160	25,707
General reserve	Dr	6,996	6,996	6,996	6,996	6,996	6,996	6,996
Income after appropriations	Dr	1,328	1,328	1,328	1,328	1,328	1,328	1,328

## 6.10 Conclusion

6.10.1 As discussed above, BdL prepares its financial statements following accounting policies agreed by the Central Council and codified in its Accounting Manual. Some of these policies

<sup>87</sup> Exhibit 14 - Guidance for Monetary Authorities on the recommended practice in accounting for monetary gold.

diverge from the standards applicable under IFRS, which BdL states is appropriate due to the objectives of the Central Bank under the CMC Law. It is not uncommon for central banks to prepare financial statements that diverge from IFRS, but best practice is to disclose such information in their publicly available audited financial statements.

6.10.2 Overall, the impact of the approach taken by BdL in adopting the accounting policies described above to present its financial position in an unconventional manner allowed the Bank to overstate assets, equity and profits while understating liabilities by the amounts shown in the table below<sup>88</sup>:

**Table 6.11 – Impact of accounting policies applied by BdL in LBP'm**

Impact	2015	2016	2017	2018	2019	2020
Over / (Under) statement of Assets	31	37	38	29	(20)	49
Under / (Over) statement of Liabilities	-	-	-	20	82	24
Under / (Over) statement of Equity	31	37	38	50	62	73
Under / (Over) statement of Profits	(32)	(47)	(52)	(63)	(75)	(97)

<sup>88</sup> The calculation does not take into account changing interest rates.

## 7 Transparency

### 7.1 Reporting

7.1.1 The full audited financial statements of BdL were not made public during the Relevant Period. Instead, BdL published summary balance sheets. No profit and loss statement, cash flow statement, audit report or notes to the accounts were ever published.

7.1.2 BdL made its balance sheet publicly available through three principal disclosures:

- i) A summary balance sheet published biweekly on the BdL website – see Table 7.1 below for a summary of the positions reported at each year end from 2014 to 2020<sup>89</sup>.
- ii) A 'Monthly Bulletin' published on the BdL website which contains a balance sheet that is reported in the same way as the biweekly balance sheets<sup>90</sup> and includes an update on economic indicators in Lebanon, details of banking sector interest rates, foreign assets held by the banking sector, BdL's FX reserves, commercial bank deposits, the dollarization rate in Lebanon, developments in Lebanon's financial markets.

7.1.3 An annual report which contains a balance sheet that has more detailed breakdowns of the balances when compared to the biweekly balance sheet or monthly bulletin<sup>91</sup> - see Table 7.1 below for a summary of BdL balance sheets as per the annual reports from 2015 to 2020. The reports discuss various aspects of BdL's monetary policy over the previous year. In general, the reports include commentary on the global, regional and Lebanese economic situation; commentary on BdL's monetary policy; discussion around the performance of the Lebanese banking sector; commentary around non-traditional operational mechanisms used by BdL, such as subsidized loans, housing loans and loans to the energy sector; discussions around the regulatory framework of BdL's monetary policy; and money issuance information.

<sup>89</sup> Exhibit 16 – Example of a biweekly balance sheet.

<sup>90</sup> Exhibit 17 – Example of a monthly bulletin.

<sup>91</sup> Exhibit 08 – 2016 Annual Report.

Table 7.1 Biweekly summary BDL balance sheets at year end, 2014 to 2020

	31-Dec-14	31-Dec-15	31-Dec-16	Note 1 15-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20
	LBP'm	LBP'm	LBP'm	LBP'm	LBP'm	LBP'm	LBP'm
<b>Assets</b>							
Gold	16,508,663	14,846,181	16,138,435	17,476,364	17,742,878	21,012,511	26,116,185
Foreign Assets	57,078,272	55,915,924	61,365,037	63,000,249	59,797,440	56,187,358	36,312,965
Securities Portfolio	21,072,630	27,186,003	38,956,135	44,771,029	46,482,593	57,269,802	60,280,822
Loans to Public Sector	0	0	0	0	0	0	0
Loans to Local Financial Sector	6,361,341	7,574,000	9,644,921	17,629,624	50,668,613	22,523,148	21,524,987
Valuation Adjustment	0	0	0	0	0	0	0
Assets From Exchange Operations Of							
Financial Instruments	0	17,378,694	17,378,694	17,378,694	18,080,640	18,080,640	18,080,640
Other Assets	27,831,308	13,804,803	10,438,945	17,317,311	18,831,716	37,627,791	61,364,095
Fixed Assets	341,855	330,754	326,624	361,591	347,667	393,472	395,151
<b>Total Assets</b>	<b>129,194,069</b>	<b>137,036,359</b>	<b>154,248,790</b>	<b>177,934,861</b>	<b>211,951,547</b>	<b>213,094,722</b>	<b>224,074,844</b>
<b>Liabilities</b>							
Currency in Circulation Outside BDL	4,253,665	4,706,431	5,284,926	5,419,089	5,860,765	10,563,541	30,917,722
Financial Sector Deposits	101,736,851	111,971,108	126,874,300	143,377,581	180,568,304	168,860,888	162,736,244
Public Sector Deposits	9,123,188	8,153,551	8,311,816	11,393,346	7,578,138	8,202,779	6,837,877
Valuation Adjustment	8,146,281	6,400,951	7,707,250	9,153,770	9,464,174	12,835,396	17,382,854
Other Liabilities	760,592	464,493	641,383	3,189,503	2,898,947	6,964,696	850,313
Capital Accounts	5,173,493	5,339,825	5,429,113	5,401,572	5,581,219	5,667,423	5,349,834
<b>Total Liabilities</b>	<b>129,194,069</b>	<b>137,036,359</b>	<b>154,248,790</b>	<b>177,934,861</b>	<b>211,951,547</b>	<b>213,094,722</b>	<b>224,074,844</b>

Note 1: the 31-Dec-17 summary balance sheet is not available online. The table shows the position as at 15 December 2017

Source: BDL website



Table 7.2 BDL balance sheet per annual report 2015 to 2020

	31-Dec-15 LBP'm	31-Dec-16 LBP'm	31-Dec-17 LBP'm	Note 1		31-Dec-19 LBP'm	31-Dec-20 LBP'm
				Original 31-Dec-18 LBP'm	Restated LBP'm		
<b>Assets</b>							
<b>Gold</b>	<b>14,846,181</b>	<b>16,138,434</b>	<b>18,032,889</b>	<b>17,742,878</b>	<b>17,742,879</b>	<b>21,012,512</b>	<b>26,116,185</b>
<b>Foreign Assets</b>	<b>55,915,924</b>	<b>61,365,037</b>	<b>64,150,292</b>	<b>59,797,440</b>	<b>59,797,440</b>	<b>56,187,358</b>	<b>36,312,965</b>
Accounts with banks	44,969,440	50,066,081	51,835,873	45,512,022	45,512,022	34,784,326	24,552,774
Accounts with international bodies	1,208,645	1,212,756	1,208,905	1,220,704	1,220,704	754,345	1,206,379
Securities	9,737,839	10,086,200	11,105,514	13,064,714	13,064,714	20,648,687	10,553,812
<b>Financial portfolio</b>	<b>27,186,003</b>	<b>38,956,135</b>	<b>44,121,470</b>	<b>46,482,593</b>	<b>46,482,593</b>	<b>57,269,802</b>	<b>60,280,822</b>
Securities portfolio	1,605,789	1,605,789	1,638,928	1,638,928	1,638,928	1,643,176	1,337,551
Lebanese treasury bills	25,580,214	37,350,346	42,482,542	44,843,665	44,843,665	55,626,626	58,943,271
<b>Loans</b>	<b>8,025,262</b>	<b>10,056,443</b>	<b>18,750,900</b>	<b>51,200,848</b>	<b>23,621,196</b>	<b>22,910,400</b>	<b>21,901,991</b>
Loans to Public Sector	0	0	0	0	0	0	0
Loans to Local Financial Sector	7,574,000	9,644,921	18,329,241	50,780,565	23,200,913	22,523,148	21,524,987
Loans to Local Private Sector	451,262	411,522	421,659	420,283	420,283	387,252	377,004
<b>Receivables and clearance accounts</b>	<b>30,706,951</b>	<b>27,376,833</b>	<b>32,824,567</b>	<b>36,353,080</b>	<b>36,353,080</b>	<b>55,299,209</b>	<b>79,026,250</b>
Various debtors	11,792	11,741	10,862	11,418	11,418	7,280	7,492
Value of receivables	10,234	11,909	10,290	10,923	10,923	40,184	10,552
Clearance and settlement accounts	13,306,231	9,974,489	14,722,775	18,250,099	18,250,099	37,171,105	60,927,566
Assets From Exchange Operations Of Financial Instruments	17,378,694	17,378,694	18,080,640	18,080,640	18,080,640	18,080,640	18,080,640
<b>Fixed assets</b>	<b>356,038</b>	<b>355,908</b>	<b>388,886</b>	<b>374,708</b>	<b>374,708</b>	<b>415,441</b>	<b>436,631</b>
Stored assets	25,284	29,284	27,785	27,041	27,041	21,970	41,481
Fixed assets owned to meet a debt	239,955	233,461	227,185	244,206	244,206	285,601	281,258
Fixed assets for bank use	90,799	93,163	133,916	103,461	103,461	107,870	113,892
<b>Total Assets</b>	<b>137,036,359</b>	<b>154,248,790</b>	<b>178,269,004</b>	<b>211,951,547</b>	<b>184,371,896</b>	<b>213,094,722</b>	<b>224,074,844</b>
<b>Liabilities</b>							
<b>Cash in circulation</b>	<b>4,706,431</b>	<b>5,284,926</b>	<b>5,662,483</b>	<b>5,860,766</b>	<b>5,860,766</b>	<b>10,563,541</b>	<b>30,917,722</b>
<b>Deposits</b>	<b>120,473,831</b>	<b>135,230,116</b>	<b>155,895,225</b>	<b>188,176,303</b>	<b>160,596,652</b>	<b>177,226,187</b>	<b>169,648,335</b>
Banks	68,109,012	88,767,764	115,299,480	155,416,150	127,845,929	147,356,456	147,294,812
Financial sector	43,848,813	38,092,915	31,650,887	25,139,548	25,130,118	21,485,750	15,419,869
International bodies and institutions	13,282	13,622	12,495	12,605	12,605	18,682	21,563
Government	302,135	0	0	0	0	0	0
Public sector	8,153,551	8,311,816	8,891,977	7,578,138	7,578,138	8,202,779	6,837,877
Private sector	47,038	43,999	40,386	29,862	29,862	162,520	74,214
<b>Payables and clearance accounts</b>	<b>183,623</b>	<b>645,846</b>	<b>1,275,535</b>	<b>2,722,821</b>	<b>2,722,821</b>	<b>6,690,713</b>	<b>617,609</b>
Payables	36,309	27,425	210,417	922,049	922,049	63,330	41,989
Various creditors	102,700	110,286	112,680	583,238	583,238	526,841	347,909
Clearance and settlement accounts	44,614	508,135	952,438	1,217,534	1,217,534	6,100,542	227,711
<b>Overseas loans</b>	<b>0</b>	<b>9,011</b>	<b>180,030</b>	<b>178,449</b>	<b>178,449</b>	<b>192,907</b>	<b>194,455</b>
<b>Provision for contingencies</b>	<b>3,692,740</b>	<b>3,778,583</b>	<b>3,889,611</b>	<b>3,895,504</b>	<b>3,895,504</b>	<b>3,913,310</b>	<b>3,942,688</b>
<b>Differences in Article 115 valuation</b>	<b>6,400,951</b>	<b>7,707,251</b>	<b>9,725,723</b>	<b>9,464,174</b>	<b>9,464,174</b>	<b>12,835,396</b>	<b>17,382,853</b>
<b>Total Liabilities</b>	<b>135,457,576</b>	<b>152,655,733</b>	<b>176,628,607</b>	<b>210,298,017</b>	<b>182,718,366</b>	<b>211,422,054</b>	<b>222,703,662</b>
<b>Equity</b>	<b>1,578,783</b>	<b>1,593,057</b>	<b>1,640,397</b>	<b>1,653,530</b>	<b>1,653,530</b>	<b>1,672,668</b>	<b>1,371,182</b>
Differences in the revaluation of financial assets	1,019,631	1,019,631	1,052,770	1,052,770	1,052,770	1,052,770	747,144
Reserves	408,387	422,661	436,862	449,995	449,995	469,133	473,273
Assigned donations	150,750	150,750	150,750	150,750	150,750	150,750	150,750
Capital	15	15	15	15	15	15	15
Earnings	0	0	0	0	0	0	0
<b>Total Equity &amp; Liabilities</b>	<b>137,036,359</b>	<b>154,248,790</b>	<b>178,269,004</b>	<b>211,951,547</b>	<b>184,371,896</b>	<b>213,094,722</b>	<b>224,074,844</b>

Note 1: The 2018 summary accounts were restated in 2019 to net loans under leverage agreement against the related deposits  
Source: BDL website

## 7.2 Reconciliation of audited financials to the published balance sheets of Bdl

7.2.1 A&M has completed a comparison of the published financials against the audited financials of Bdl. Table 7.3 summarises the reconciliation differences.

**Table 7.3 Summaries of reconciliation differences between published and internal accounts<sup>92</sup>**

	31-Dec-15 LBP'm	31-Dec-16 LBP'm	31-Dec-17 LBP'm	31-Dec-18 LBP'm	31-Dec-19 LBP'm	31-Dec-20 LBP'm
<b>Total assets - published</b>	<b>137,036,359</b>	<b>154,248,790</b>	<b>178,269,004</b>	<b>211,951,547</b>	<b>213,094,722</b>	<b>224,074,844</b>
Cash and equivalents	0	-1	10	-865,231	2,563	148,586
Foreign securities	0	0	-1,790,287	-2,280,262	-9,011,790	-2,287,090
Investments in subsidiaries and associate	-2,925	-2,925	-2,925	-2,925	-2,925	-2,926
Loans to local private sector	-64,435	-20	-19	-23	-25	-11
Loans to local financial sector	396,339	528,309	1,186,869	1,897,978	5,750,009	362,084
Debtors and receivables	8,736	19,370	17,002	17,519	31,314	30,611
Clearance and settlement accounts	-1,488,477	1,843,265	-2,905,021	3,837,934	-1,328,542	-5,985,035
Excess in end-of-service indemnity investment fund	65,327	47,656	24,253	62,763	64,523	82,494
<b>Reconciliation differences ((over) / under reporting)</b>	<b>-1,878,113</b>	<b>1,379,036</b>	<b>-3,470,118</b>	<b>2,667,753</b>	<b>-4,494,872</b>	<b>-8,375,455</b>
	USD'm	-1,246	915	-2,302	1,770	-2,982
<b>Total assets - internal</b>	<b>135,158,246</b>	<b>155,627,826</b>	<b>174,798,886</b>	<b>214,619,300</b>	<b>208,599,850</b>	<b>215,699,389</b>
<b>Total liabilities &amp; equity - published</b>	<b>137,036,359</b>	<b>154,248,790</b>	<b>178,269,004</b>	<b>211,951,547</b>	<b>213,094,722</b>	<b>224,074,844</b>
Bank deposits	217,947	-156,051	-242,795	414,778	-1,182,546	-1,465,217
Deposits of financial sector	-361,406	12,355,570	14,146,728	20,363,101	18,042,269	16,284,680
Deposits of international bodies	-13,282	-13,622	-12,495	-12,605	-18,682	-21,563
Government deposits	-302,135	0	0	0	0	0
Private sector deposits	-1,088	7,784	8,616	8,272	-101,369	-15,881
Payables and transitional accounts	-3,349	-504,593	-711,270	-2,168,588	-6,062,244	73,329
Loans from abroad	0	-9,011	-180,030	-178,449	-192,907	-194,455
Provisions for contingencies	4,334	-6,134	-53,094	-31,098	17,693	33,039
Reserves	-15,261	-15,171	-15,106	-15,089	-15,018	-1
Earnings	76,304	75,853	75,531	75,448	141,424	0
Deferred interest expense and cost of CDs	-1,480,176	2,356,773	-1,993,220	4,978,622	3,931,003	-5,954,231
Unamortised premium on LBP CDs		(12,712,363)	(14,492,790)	(20,766,435)	(18,988,715)	(17,114,952)
<b>Reconciliation differences ((over) / under reporting)</b>	<b>-1,878,112</b>	<b>1,379,036</b>	<b>-3,469,926</b>	<b>2,667,957</b>	<b>-4,429,093</b>	<b>-8,375,252</b>
	USD'm	-1,246	915	-2,302	1,770	-2,938
<b>Total liabilities &amp; equity - internal</b>	<b>135,158,247</b>	<b>155,627,826</b>	<b>174,799,078</b>	<b>214,619,504</b>	<b>208,665,629</b>	<b>215,699,592</b>

7.2.2 In comparing the published summary balance sheets to the audited financial statements of Bdl we can see there is misreporting of the financial position in all years from 2015 to 2020:

- i) 2015: overstated by LBP 1.9tn (USD 1.2bn);
- ii) 2016: understated by LBP 1.4tn (USD 0.9bn);
- iii) 2017: overstated by LBP 3.5tn (USD 2.3bn);
- iv) 2018: understated by LBP 2.7tn (USD 1.8bn);

<sup>92</sup> For the years ended 31 December 2015 to 2018 these internal accounts were audited.

- v) 2019: overstated by LBP 4.5tn (USD 3bn); and
- vi) 2020: LBP 8.4tn (USD 5.6bn).

7.2.3 The primary causes of the misstatements are as follows:

7.2.4 Assets:

- i) 'Foreign securities', which are broken down in the audited financials into foreign bonds, CDs, asset-backed and credit linked notes and government Eurobonds, are significantly overstated in the published accounts from 2017 to 2020. 2017: LBP 1.8tn (USD 1.2bn); 2018: LBP 2.3tn (USD 1.5bn); 2019: LBP 9tn (USD 6 bn); 2020: LBP 2.3tn (USD 1.5bn).
- ii) It should also be noted that foreign securities include foreign currency assets held both overseas and locally (i.e. with the Lebanese government in the form of Eurobonds). The published balance sheet does not allow the reader to know the split of foreign currency assets held overseas and locally. During the period, the ratio of foreign held to locally held foreign currency assets declined significantly as holdings in foreign bonds fell to be replaced by holdings in Eurobonds.
- iii) 'Loans to local financial sector' which include loans, soft loans and loans under leverage agreement were overstated from 2017 to 2019. 2017: LBP 1.2tn (USD 0.8bn); 2018: LBP 1.9tn (USD 1.3bn); 2019: LBP 5.8tn (USD 3.8 bn).
- iv) In addition, in 2019, BdL restated the accounts to net the deposits under leverage agreement against the loans under leverage agreement. The netting does not allow the reader to see the size of the asset and liability with local banks.
- v) In the annual published accounts, BdL has included seigniorage on currency, seigniorage on financial stability and the Deferred interest expense and cost of CDs portion of the 'Pool Account' in "Clearance and Settlement Accounts" on the asset side of the balance sheet.

- vi) In the internal financial statements 'Deferred interest expense and cost of CDs', which includes the costs of financial engineering, is included in liabilities as a contra balance. This has the effect of presenting the cost of financial engineering and the nature of the "Clearance and settlement accounts". In the biweekly published balance sheet the position is even more opaque; Clearance and settlement accounts are included under "Other Assets" along with loans to private sector; debtors and receivables; accrued income; and stored assets (cost of new bank notes and medal in stock).
- vii) BdL contributes to an investment fund that acquires Lebanese treasury bills in order to offset the end-of-service indemnities accrued by BdL employees. An 'Excess in end-of-service indemnity investment fund' recorded in the internal accounts is not included anywhere in the published accounts.

#### 7.2.5 Liabilities and equity:

- i) 'Bank deposits' broadly reconcile to current deposits, term deposits, blocked deposits and term deposits under leverage agreement. However, there is an increasing unexplained difference between the published and internal accounts which peaks in 2020 at LBP 1.5tn (USD 1bn). Note also that from 2018 to 2020, the term deposits and CDs under leverage agreement are netted against the loans and therefore not included in the liabilities shown in the published accounts.
- ii) 'Deposits of financial sector' in the published balance sheet include CDs and CDs under leverage agreement. From 2016, the BdL published balance sheet nets the unamortised premium on LBP CDs, part of deferred interest expense and cost of CDs, against CDs, reducing the liability position as follows: 2016: LBP 12.4tn (USD 8.2bn); 2017: LBP 14.1tn (USD 9.4bn); 2018: LBP 20.4tn (USD 13.5bn); 2019: LBP 18tn (USD 12bn); 2020: LBP 16.3tn (USD 10.8bn). The unamortised premium on LBP CDs represents a cost of financial engineering which should have been expensed as a cost in the P&L and recorded as loss in reserves (see Section 6 – BdL's financial position). This understates liabilities and overstates equity.



- iii) 'Other liabilities' in biweekly BS inc. Government deposits; Private sector deposits; payables; creditors; clearance and settlement accounts; loan from abroad. Small unreconcilable difference.
- iv) 'Payables and transitional accounts' in the published accounts include Accrued expenses and other liabilities from the audited financials. The main sub account is titled "Clearance and settlement accounts". This account grows significantly up to 2019 to an amount of LBP 6.1tn (USD 4bn). It is not clear what this balance includes.
- v) Deferred interest expense and cost of CDs and unamortised premium on LBP CDs are not included in the liabilities and equity of the published balance sheet.
- vi) 'Retained earnings' in the equity section of the published accounts is shown as zero in all years. This is reflected as "income after appropriation" in the internal financials and ranges from LBP 76bn (USD 51m) in 2015 to LBP 141bn (USD 94m) in the internal financials. Given no P&L is published the reader of the published accounts has no information about the profit and loss of Bdl.

7.2.6 Other observations:

- i) 'Securities Portfolio' largely constitutes Lebanese treasury bills, which reconcile to the audited financials. The remainder of the "securities portfolio" consists of investments in subsidiaries, investment in associate and other investments. These reconcile with a small unexplained difference.
- ii) Debtors and receivables partially reconcile to the Accrued Income account in the audited financials (not including "cost of bank notes and medal in stock") with unreconcilable differences. Note there is an "Other" category in Accrued Income which appears to account for some of the reconciling differences that may be part of clearance and settlement accounts.
- iii) Assets from Exchange Operations of Financial Instruments reconcile to Seigniorage on Treasury bills in the notes to the audited financials in all years.

- iv) Deposits of international bodies and institutions, government deposits do not directly reconcile.
- v) "Loans from abroad" does not reconcile to the audited financials.
- vi) The following balances are materially consistent between the published balance sheet and the audited accounts and are accurately disclosed:
  - a) Foreign currency cash and cash equivalent balances;
  - b) Lebanese treasury bill assets;
  - c) The value of gold held by BdL;
  - d) Loans to private sector;
  - e) Fixed assets;
  - f) Cash in circulation;
  - g) Public sector deposits;
  - h) Provision for contingencies;
  - i) The unrealized gain on exchange under article 115; and
  - j) Capital and reserves

### 7.3 Conclusions

7.3.1 In summary, the published financials do not provide an accurate picture of the financial position of BdL. The positions and losses of BdL are presented through netting of assets and liabilities and through recording them in unexplained and general accounts such as "Other Assets" and "Clearance and settlement accounts".

7.3.2 The full extent of the accounting practices used to present the costs of financial engineering, the use of the 'Pool Account' and the seigniorage on currency and financial stability are not disclosed. By excluding the full details of the seigniorage and deferred interest expense and other finance costs from the annual report balance sheet, in addition the absence of

- explanatory notes, makes it difficult for the reader to interpret how seigniorage was created and how the transactions related to financial engineering were recorded.
- 7.3.3 No loss is shown at all in the balance sheet. This is before even taking into account the misstatements and accounting policies adopted to reduce the impact of the costs of financial engineering (see Section 5).
- 7.3.4 Important information was not made public over the Relevant Period which did not allow the public to know the position of BdL. Such information includes:
- i) BdL's profit and loss/income statement in each of the years 2015 to 2020;
  - ii) The specific interest rates it provided to the largest depositors or creditors of the Bank, nor does it disclose the methodology used in setting such rates;
  - iii) Details of the commercial bank deposits at BdL;
  - iv) Information as to the costs involved in BdL's financial engineering or the decisions made in relation to how the intervention would be accounted for.
- 7.3.5 Lebanese society has a stake in the stewardship of the Lebanese currency and everyone with money in the Lebanese banking system had a financial exposure. As such, the Lebanese public had a reasonable expectation that BdL would be transparent as to its financial position.
- 7.3.6 The audited financial statements of BdL (including the notes to those statements) would have provided at least some clarity, however these were not made available. In other countries, such as the UK or Iraq, the audited financial statements are made publicly available. However, only the CC appear to have been provided with BdL's audited financial statements.
- 7.3.7 As discussed at Section 6, the financial position of BdL has deteriorated such that the amount of USD liabilities far exceeds the ability of the Lebanese economy to repay the USD outstanding.

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## 8 BdL balances with commercial banks and financial institutions

### 8.1 Introduction

8.1.1 To better understand the movement in the asset and liability balances at BdL in relation to Lebanon's commercial banks and other financial institutions we have analysed BdL's financial statements and CBS data to break down the balances by bank.

8.1.2 The assets of BdL that relate to its interactions with the commercial banks are represented on its balance sheet as loans and soft loans to banks and financial institutions, and loans under leverage agreement.

8.1.3 The liabilities of BdL that relate to its interactions with the commercial banks are represented on its balance sheet under a 'Banks and financial institution' category and includes commercial banks' current and demand deposits; term deposits; CDs; and term deposits and CDs under leverage agreement.

8.1.4 We have also identified a temporary clearing account used by the Financial Operations Department under the number 190901061 named "*Financial Operations: RTGS Clearing Account: Operations*" ("RTGS-61"). This account is used to record transactions relating to CDs, term deposits, treasury bills, and any other financial instruments in various currencies, but mainly in LBP.

8.1.5 We have therefore analysed the RTGS-61 account to understand the ultimate beneficiary of the financial operations transactions in these instruments, as set out below in section 8.4 and in Appendix 12.

8.1.6 However, all CDs are held by Midclear as they function as a financial intermediary and custodian over these instruments. We do not have the data held by Midclear and according to BdL no detailed schedules can be provided due to the bank secrecy law. Therefore, we are unable to identify the ultimate beneficiary of the CD subscriptions or related transactions.

### 8.2 Assets related to commercial banks and financial institutions

8.2.1 The tables below show the balances related to loans and soft loans to banks and financial institutions, and loans under leverage agreement.



Loans to banks and financial institutions

**Table 8.1 – Loans to banks and financial institutions balances as per the audited financial statements (LBP'm)<sup>93</sup>**

	2014	2015	2016	2017	2018	2019	2020
Term loans (LBP)	1,300,438	1,257,043	975,863	862,217	855,451	864,298	791,477
Revolving short term loans (LBP)	401,312	404,297	50	50	38,065	94,017	107,031
Revolving short term loans (USD)	1,358,429	1,350,913	2,630,105	1,790,287	2,072,509	7,780,569	1,462,574
Revolving short term loans (EUR)						217,071	
Facilities granted to banks and Financial institutions (LBP)	2,353,492	3,550,676	4,851,687	6,205,693	6,867,730	6,365,305	5,716,506
Facilities granted to banks and Financial institutions (USD)					181,927	207,338	671,069
Loans under real-estate repurchase agreements				27,560	67,071	57,858	57,858
Overdraft						33,675	33,820
<b>Total</b>	<b>5,413,671</b>	<b>6,562,928</b>	<b>8,457,705</b>	<b>8,885,807</b>	<b>10,082,753</b>	<b>15,620,131</b>	<b>8,840,335</b>

8.2.2 These loans increased over the period 2014 to 2019, before decreasing in 2020 following a significant decrease in revolving short term loans in USD. Tables 8.2 to 8.4 below, detail the balances by bank for the three largest categories of loan (term loans, revolving short term loans in USD, and facilities granted to banks and financial institutions in LBP).

**Table 8.2 Term loans by bank (LBP'm)**

	2015	2016	2017	2018	2019	2020
Al-Bilad Islamic Bank for Investment & Finance	-	-	-	-	3,478	3,922
Al Mawarid Bank SAL	300,000	300,000	300,000	300,000	300,000	300,000
Al Mawarid Bank SAL	2,449	2,449	-	-	-	-
Bank AR	-	-	-	3,000	-	-
Bank Audi SAL	31,271	31,271	-	-	-	-
Bank of Kuwait and Arab countries	57,790	57,790	-	-	-	-
Bankmed SAL	90,936	-	-	-	-	-
BBAC SAL	-	-	6,610	-	-	-
BBAC SAL	6,610	6,610	-	-	-	-
BLC bank SAL	17,734	17,734	17,734	17,734	-	-
BLC Bank SAL	300,000	-	-	-	-	-
Byblos bank SAL	-	115,000	115,000	115,000	121,000	121,000
Byblos Bank SAL	1,387	-	-	-	-	-
Cedrus bank SAL	73,157	73,157	73,157	73,157	73,157	-
First national bank SAL	2,745	2,745	2,745	-	-	-
Fransabank SAL	10,858	10,858	-	-	-	-
Fransabank SAL	774	774	-	-	-	-
Saradar Bank SAL	-	-	-	-	20,000	20,000
Société Générale de Banque au Liban SAL	483	483	483	-	-	-

<sup>93</sup> The figures are based on the audited financial statements of 2015, 2016, 2017 and 2018.

Société Générale de Banque au Liban SAL	9,745	9,745	-	-	-	-
Ste financier du Lebanon SAL	342,405	342,405	342,405	342,405	342,000	342,000
<b>Total</b>	<b>1,248,343</b>	<b>971,020</b>	<b>858,133</b>	<b>851,296</b>	<b>859,634</b>	<b>786,922</b>

- 8.2.3 The audited financial statements contain some additional details in relation to some of the term loans. Some of the loans in this category were related to the July 2006 war in Lebanon and were granted to over 60% of the liquidity deficit faced by the banks due to defaulting loans pertaining to customers directly affected by the war. The interest rate earned on these loans were set to be equivalent to the interest rate earned on the instrument in which the loan funds were invested less the interest spread required to offset the payments made by the banks. The loans were secured by Lebanese treasury bills.<sup>94</sup>
- 8.2.4 In 2010, Al Mawarid Bank SAL was granted a LBP 300bn loan that was not subject to interest and was secured by mortgaged three year treasury bills. In addition, certain shareholders of the bank pledged their shares in the bank as collateral for the loan. This was amended in 2012, when the loan became subject to interest of 2% per annum, with the loan secured against five year treasury bills.<sup>95</sup>
- 8.2.5 Credus Bank borrowed LBP 73bn in 2015 to cover its commitments at a rate of 2% per annum and secured by treasury bills.
- 8.2.6 Byblos Bank borrowed LBP 115bn in 2016 to cover its commitments at a rate of 2.1% per annum and secured by treasury bills.
- 8.2.7 Societe Financiere Du Liban was granted a back-to-back renewable loan for LBP 343.4bn in 2014. The interest rate on the loan was 1.875% and is secured against Lebanese treasury bills.
- 8.2.8 BdL also provided USD revolving short term loans to assist with banks' temporary working capital needs. There was a large increase in these loans in 2019, as banks that had not previously utilised such loans started to borrow funds in USD. In addition, certain existing borrowers substantially increased their borrowing.

<sup>94</sup> As stated in the 2018 audited financial statements.

<sup>95</sup> As stated in the 2018 audited financial statements.

**Table 8.3 USD revolving short term loans (LBP'm)<sup>96</sup>**

	2015	2016	2017	2018	2019	2020
Bank Audi SAL	-	1,085,400	603,000	1,371,825	2,736,113	720,585
Bankmed SAL	376,875	904,500	376,875	527,625	2,080,350	376,875
National Credit Bank SAL	-	-	-	15,075	-	75,375
Syria Lebanese commercial bank SAL	-	-	-	7,538	-	-
Société Générale de Banque au Liban SAL	580,388	580,388	429,638	128,138	931,635	6,030
Finance bank SAL	37,688	37,688	37,688	-	57,285	67,838
Bank of Beirut SAL	-	-	188,438	-	625,613	-
Al Mawarid Bank SAL	-	-	105,525	-	150,750	150,750
Bank Misr Lebanon SLA	-	-	37,688	-	-	-
Fransa bank SAL	188,438	-	-	-	-	-
BLC bank SAL	165,825	-	-	-	-	-
Blom Bank SAL	-	-	-	-	875,858	-
Creditbank SAL	-	-	-	-	188,438	-
Federal Bank of Lebanon	-	-	-	-	18,090	15,075
MEAB SAL	-	-	-	-	26,381	43,642
Saradar Bank SAL	-	-	-	-	52,763	-
<b>Total</b>	<b>1,349,213</b>	<b>2,607,975</b>	<b>1,778,850</b>	<b>2,050,200</b>	<b>7,743,274</b>	<b>1,456,170</b>

8.2.9 The interest rates in the above short term loans varied. For example in 2018 the rates varied between the 4.4% offered to Bankmed on LBP 376.9bn of the amount it had borrowed and 14% on LBP 768.8bn of Bank Audi's short term USD borrowing (the remainder of Bank Audi's short term USD borrowing was at 8%).

8.2.10 The balances relating to facilities to banks and financial institutions in LBP were granted against loans made by the banks to their customers that met certain conditions. Interest on the loans by the banks were 1% and there was a sustained increase in the LBP facilities granted in the period 2015 to 2018, with an approximately 10% decrease in 2020.<sup>97</sup> The banks that had the largest facilities included Bank Audi, Bank of Beirut, Fransabank, Banque de Habitat and Credit Libanais.

**Table 8.4 Facilities granted to banks and financial institutions in LBP by bank (LBP'm)<sup>98</sup>**

	2015	2016	2017	2018	2019	2020
Al Mawarid Bank SAL	69,794	89,087	198,574	222,341	211,761	191,446
Arab Bank PLC	9,974	9,874	9,439	8,150	6,748	5,193
Bank Audi SAL	327,589	613,476	753,446	751,919	796,907	648,197
Bank Misr Liban SAL	27,895	35,757	49,291	48,799	44,312	35,697
Bank of Baghdad (Private SA)	1,575	1,657	3,177	3,025	2,341	1,985
Bank of Beirut SAL	364,372	486,926	527,837	553,308	530,902	480,846
Bankmed SAL	104,874	158,024	192,961	245,591	202,764	168,105
Banque BEMO SAL	7,458	9,225	11,799	15,241	13,185	11,401
Banque de Credit National SAL	1,473	2,071	-	1,931	1,815	1,680
Banque de Habitat SAL	313,241	433,174	744,494	986,476	961,355	931,845
Banque Libano Francaise SAL	190,450	260,151	352,619	398,302	382,552	313,784
BBAC SAI	9,500	12,545	11,861	22,731	21,350	20,005
BLC Bank SAL	236,542	302,684	348,291	362,385	353,988	311,541

<sup>96</sup> The difference between the totals in this table and the table above relates to accrued interest receivable.

<sup>97</sup> As stated in the 2018 audited financial statements.

<sup>98</sup> The difference between the totals in this table and the table above relates to accrued interest receivable.

Blom Bank SAL	432,976	491,340	475,487	493,574	449,680	400,724
BSL Bank	-	-	-	-	32,961	31,208
Byblos Bank SAL	66,044	115,096	198,850	314,117	296,322	255,948
Cedrus Bank SAL	163	6,517	26,046	26,550	24,412	20,793
Cedrus Invest Bank SAL	-	37,175	76,170	76,165	77,575	76,659
Credit Bank SAL	75,201	105,151	140,953	143,383	134,860	120,692
Credit Libanais Investment Bank SAL	934	2,019	3,399	3,830	3,369	2,902
Credit Libanais SAL	566,779	727,472	814,280	776,120	714,716	631,392
Federal bank of Lebanon SAL	11,435	13,547	15,812	14,912	13,353	12,103
Fenicia Bank SAL	47,377	43,926	46,565	48,342	45,167	36,432
Finance Bank SAL	34,339	33,289	31,483	575	3,179	2,649
First National Bank SAL	15,655	19,098	35,787	51,977	47,646	42,929
Fransa Invest Bank SAL	113	113	90	67	46	23
Fransabank SAL	206,461	364,247	494,457	568,361	559,620	515,744
IBL Bank SAL	34,810	37,976	64,911	95,162	145,402	135,936
IBL Invest Bank SAL	6,374	37,253	52,234	51,107	50,611	49,960
Jammal Trust Bank SAL	20,650	22,431	21,690	18,480	21,972	14,481
Lebanese Swiss Bank SAL	18,005	19,204	17,109	16,829	14,751	12,586
Lebanese Syrian Commercial Bank SAL	-	-	1,312	1,000	-	-
Lebanon and Gulf Bank SAL	34,632	37,513	35,840	45,193	41,508	35,955
Libank SAL	-	-	-	-	737	724
MEAB SAL	39,190	50,065	68,063	66,860	62,141	56,214
National Credit Bank SAL	-	-	2,073	-	-	-
NECB SAL	1,142	-	-	-	-	-
Saradar Bank SAL	-	7,786	8,805	32,621	30,243	26,759
Société Générale de Banque au Liban SAL	243,923	222,952	292,940	303,106	278,234	248,456
Societe Nouvelle de la banque de syrie et du Liban SAL	-	1,413	24,479	33,883	2,496	2,110
<b>Total</b>	<b>3,520,940</b>	<b>4,810,234</b>	<b>6,152,625</b>	<b>6,802,413</b>	<b>6,580,980</b>	<b>5,855,103</b>

### Soft loans to banks and financial institutions

8.2.11 Soft loans were granted by BdL to support mergers between local banks in Lebanon. The balance of the soft loans to banks increased by less than 10% between 2014 and 2019, but then decreased by 37% between 2019 and 2020 as a loan to Fransabank was settled. The table below sets out the individual loan movements by bank:

**Table 8.5 Soft loans by bank (LBP'm)**

	2014	2015	2016	2017	2018	2019	2020
BLC Bank SAL (2.6%)	48,766	48,766	-	-	-	-	-
Société Générale de Banque au Liban SAL (2%)	170,000	170,000	170,000	-	-	-	-
Société Générale de Banque au Liban SAL (1.97%)	150,000	150,000	-	-	-	-	-
Société Générale de Banque au Liban SAL (1.85%)	-	-	-	170,000	170,000	170,000	170,000
Fransabank SAL (3%)	243,589	243,589	243,589	243,589	243,589	243,589	-
Saradar Bank SAL (1.41%)	-	-	138,500	138,500	138,500	138,500	138,500
Byblos Bank SAL (2.05%)	-	-	106,000	106,000	106,000	106,000	106,000
<b>Total</b>	<b>612,355</b>	<b>612,355</b>	<b>658,089</b>	<b>658,089</b>	<b>658,089</b>	<b>658,089</b>	<b>414,500</b>



### Loans under leverage

8.2.12 The loans under leverage, part of Phase II of Bdl's financial engineering scheme, increased significantly in the period from 2017 to 2020, although there was a decrease between 2019 and 2020. The loans received by the banks were leveraged against Lebanese treasury bills, term deposits or CDs, as summarised below:

**Table 8.6 Loans under leverage agreement balances as per Bdl financial statements (LBP'm)<sup>99</sup>**

	2017	2018	2019	2020
Loans under leverage against Lebanese T-bills	8,685,028	11,687,862	11,657,411	11,657,411
Loans under leverage against term deposits	1,248,418	27,439,699	56,178,471	46,391,434
Loans under leverage against CDs		2,638,000	2,638,000	2,638,000
Accrued interest receivable	38,175	171,224	336,684	250,208
<b>Total</b>	<b>9,971,622</b>	<b>41,936,785</b>	<b>70,810,566</b>	<b>60,937,053</b>

8.2.13 All of the loans under leverage against CD's were to Bank Audi SAL. The loans under leverage against term deposits and Lebanese treasury bills to each bank are set out in Table 8.7 and 8.8 below:

**Table 8.7 Loans under leverage – term deposits, by bank (LBP'm)**

	2017	2018	2019	2020
Al-Mawarid Bank SAL	-	274,894	446,165	568,649
Bank Audi SAL	-	4,772,032	9,254,889	6,487,490
Bank Misr Liban	-	192,957	283,986	283,986
Bank of Beirut SAL	-	475,616	4,595,783	3,303,500
Bankmed SAL	-	2,885,596	3,202,614	1,520,503
Banque BEMO SAL	-	330,367	386,939	386,939
Banque Libano Francaise SAL	-	1,631,368	2,644,192	2,657,006
BBAC SAL	-	776,004	2,097,093	2,168,701
BBAC SAL	-	44,337	-	-
BCN SAL	-	-	146,734	156,156
BLC Bank SAL	-	-	348,295	355,831
BLOM Bank SAL	-	4,197,910	7,379,241	5,723,853
BSL Bank SAL	-	-	-	398,990
Byblos Bank SAL	-	2,334,095	4,570,557	4,677,315
Cedrus Bank SAL	-	97,604	220,671	174,317
Cedrus Invest Bank SAL	-	73,673	240,316	211,674
Credit Bank SAL	-	180,834	597,132	416,298
Credit Libanais Investment Bank SAL	-	-	65,954	65,954
Credit Libanais SAL	-	999,349	2,186,714	1,958,890
CSC Bank SAL	-	-	14,133	14,133
Federal Bank of Lebanon	-	28,916	38,055	39,751
Fenicia Bank SAL	-	64,258	160,057	165,709
Finance Bank SAL	-	31,093	283,094	336,194
First National Bank SAL	-	472,879	842,030	834,681

<sup>99</sup> The figures are based on the audited financial statements of 2015, 2016, 2017 and 2018.

Fransa Invest Bank SAL	11,306	10,160	10,160	10,160
Fransabank SAL	565,313	1,824,653	3,619,817	3,623,021
IBL Invest Bank SAL	-	-	92,520	92,520
IBL Bank SAL	-	1,078,133	2,783,569	2,751,911
Jammal Trust Bank SAL	-	20,352	-	-
Lebanese Swiss Bank	-	463,388	813,394	851,835
Lebanon and Gulf Bank	-	471,557	1,536,539	1,519,203
Libank	-	15,894	27,018	27,018
MEAB SAL	-	35,843	70,524	58,652
More Capital SAL	-	9,422	250,091	300,969
National Credit Bank SAL	-	662	-	-
North Africa Commercial Bank	-	995	57,527	57,527
Optimum Invest SAL	-	-	31,091	31,091
Saradar Bank SAL	-	655,085	803,194	674,128
Société Générale de Banque au Liban SAL	671,799	2,826,963	5,673,778	3,486,880
Societe Nouvelle de la banque de syrie et du Liban SAL	-	162,811	404,606	-
	<b>1,248,418</b>	<b>7,439,699</b>	<b>56,178,471</b>	<b>46,391,434</b>

**Table 8.8 Loans under leverage – Lebanese treasury bills, by bank (LBP'm)**

	2017	2018	2019	2020
AL Mawarid Bank	-	8,334	8,334	8,334
Arab Bank PLC	46,833	46,833	46,833	46,833
Bank Audi SAL	2,449,688	1,979,141	1,979,141	1,979,141
Bank Misr Liban	172,190	118,133	118,133	118,133
Bankmed SAL	277,960	814,864	814,864	814,864
Bank of Beirut SAL	152,049	422,798	422,798	422,798
BBAC SAL	159,536	416,970	416,970	416,970
Banque BEMO SAL	57,346	64,884	64,823	64,823
BLC Bank SAL	90,980	88,846	88,846	88,846
Banque Libano Francaise SAL	565,312	473,802	473,802	473,802
BLOM Bank SAL	1,707,573	2,321,271	2,321,271	2,321,271
Byblos Bank SAL	504,085	1,013,933	1,013,862	1,013,862
Cedrus Bank SAL	213,960	415,570	415,570	415,570
Cedrus Invest Bank SAL	128,733	275,304	275,304	275,304
Credit Bank SAL	93,650	105,150	105,150	105,150
Credit Libanais SAL	339,770	483,673	483,673	483,673
National Credit Bank SAL	9,495	11,754	11,754	11,754
Emirates and Lebanon	18,850	18,850	18,850	18,850
Federal Bank of Lebanon	17,093	20,242	20,242	20,242
Fenicia Bank SAL	56,963	126,683	126,683	126,683
First National Bank SAL	197,037	274,174	274,174	274,174
Fransabank SAL	187,820	376,181	376,181	376,181
Fransa invest bank SAL	11,306	1,111	1,111	1,111
IBL Bank SAL	194,907	396,587	396,587	396,587
Jammal Trust Bank SAL	30,146	30,146	-	-
Lebanese Swiss Bank	131,219	142,894	142,894	142,894
Lebanon and Gulf Bank	225,337	448,033	448,033	448,033
Libank	6,656	6,656	6,656	6,656
Lucid Investment	7,538	15,546	15,546	15,546
MEAB SAL	2,571	15,762	15,758	15,758
North Africa Commercial Bank	48,669	48,669	48,669	48,669
Saradar Bank SAL	124,460	199,835	199,665	199,665
Societe Financiere du Liban SAL	-	8,480	8,480	8,480
Société Générale de Banque au Liban SAL	436,783	436,783	436,783	436,783
Societe Nouvelle de la banque de syrie et du Liban SAL	29,821	59,971	59,971	59,971
<b>Total</b>	<b>8,696,334</b>	<b>11,687,862</b>	<b>11,657,411</b>	<b>11,657,411</b>

### 8.3 Liabilities related to banks and financial institutions

8.3.1 As is typical with a central bank, BdL has liabilities to banks and other financial institutions on its balance sheet, including CDs and term deposits from commercial banks. These are summarised in the table below:<sup>100</sup>

**Table 8.9 –Banks and financial institutions balances per financial statements**

LBP'm	2014	2015	2016	2017	2018	2019	2020
Deposits in foreign currency	47,800,986	48,922,074	50,283,607	57,635,222	53,300,280	100,647,666	113,494,502
Deposits in foreign currency under leverage agreement	-	-	-	7,946,757	23,726,282		
Deposits in LBP	17,267,374	18,708,197	37,473,617	46,926,164	48,973,465	98,142,823	61,414,646
Deposits in LBP under leverage agreement	-	-	-	1,248,418	27,439,699		
CDs in foreign currency	7,640,152	11,411,608	28,735,914	27,907,652	22,372,865	23,825,231	19,754,707
CDs in foreign currency under leverage agreement	-	-	-	-	587,035		
CDs in LBP	26,021,993	31,228,928	20,749,000	17,071,000	19,061,000	17,464,000	11,481,000
CDs in LBP under leverage agreement	-	-	-	-	2,638,000		
Contra-CDs - Adjustment to Deferred Interest Expense	-	-	-	-	-	-	17,114,952
Euro CDs	1,841,021	-	-	-	-	-	-
<b>Total</b>	<b>100,571,525</b>	<b>110,270,808</b>	<b>137,242,138</b>	<b>158,735,213</b>	<b>198,098,627</b>	<b>240,079,720</b>	<b>223,259,807</b>
Accrued interest on LBP deposits	916,244	1,066,690	903,844	937,978	2,038,739	2,668,539	1,734,408
Accrued interest on foreign currency deposits	462,228	476,868	914,217	1,181,109	1,196,211	1,770,140	1,569,364
<b>Total</b>	<b>101,949,997</b>	<b>111,814,366</b>	<b>139,060,199</b>	<b>160,854,300</b>	<b>201,333,577</b>	<b>244,518,399</b>	<b>226,563,578</b>

8.3.2 Detailed in tables 8.10 and 8.11 below are the balance by bank for deposits in a foreign currency and deposits in LBP. The CBS system shows all CDs as held by Midclear and as discussed above, we have not been provided with a breakdown of these by bank.

**Table 8.10 Deposits in a foreign currency by bank (LBP'm)**

	2015	2016	2017	2018	2019	2020
Al Baraka Bank SAL	136,917	116,561	178,147	247,282	299,949	438,350
Al Rayan Investments Holding Societe SAL	1	1	1	1	1	1
Al-Bilad Islamic Bank for Investment & Finance	910	1,246	1,767	-	-	-
AM Bank SAL	268,145	254,522	340,569	352,723	450,224	668,457
Arab African International Bank	3,648	3,610	3,746	4,097	7,789	18,807
Arab Bank (Switzerland) Lebanon SAL	11	3,403	1,470	814	860	335
Arab Bank PLC	270,488	250,224	265,382	251,125	528,110	1,040,870
Arab Finance House SAL	77,380	69,359	114,444	168,789	205,372	249,317
Areeba SAL	-	-	-	75	77	698

<sup>100</sup> These figures have been extracted from the 'Banks and Financial Institutions' note of BdL's audited financial statements (2015 – 2018) and the financial statements (2019 – 2020). The 2019 and 2020 figures include the deposits linked to the loans under leverage.

	2015	2016	2017	2018	2019	2020
Audi Investment Bank SAL	23,622	17,513	7,118	1,284	3,314	-
Audi Private Bank SAL	253,781	336,924	284,035	252,793	179,424	-
BLC Bank SAL	539,374	312,852	437,534	759,098	1,091,026	1,623,823
Bank Al Medina SAL	21	15	236	21	169	164
Bank Audi SAL	8,709,080	9,425,142	9,812,399	8,935,717	11,668,375	12,107,996
Bank BEMO SAL	353,503	384,377	531,569	646,446	867,058	1,969,991
Bank of Baghdad	5,682	3,705	2,633	4,478	9,276	17,288
Bank of Beirut Invest SAL	4,968	3,626	5,167	3,431	3,160	3,978
Bank of Beirut SAL	2,671,116	2,940,535	3,104,046	3,744,469	5,688,467	5,678,209
Bank of New York - Deposit (Nominees) limited	-	-	-	-	-	2,442,150
Bankmed SAL	2,101,454	2,140,360	2,441,209	3,975,112	4,520,634	3,932,907
Banque de Credit National SAL	73,449	72,069	90,589	77,544	235,471	237,854
Banque de L'Habitat SAL	853	867	914	1,065	2,736	51,361
Banque Libano Francaise SAL	2,816,430	2,365,619	2,841,208	3,486,397	4,854,693	6,826,491
Banque Misr Liban SAL	340,003	353,218	679,026	730,494	784,799	987,683
Banque Pharaon Et China SAL	62,739	-	-	-	-	-
BBAC SAL	880,922	989,025	1,410,301	2,331,149	3,148,384	3,699,513
BLC Invest SAL	761	772	-	-	-	-
Blom Bank SAL	8,398,671	8,631,789	13,165,216	16,206,460	20,089,773	20,036,603
Blom Development Bank SAL	98,334	101,490	100,647	151,749	173,537	161,228
BlomInvest Bank SAL	31,918	31,219	22,843	23,347	23,114	10,073
BSL BankSAL	157,974	178,101	201,537	366,539	606,511	821,508
Byblos Bank SAL	5,131,338	5,675,193	7,289,187	8,438,014	11,439,376	12,873,177
Byblos Invest Bank SAL	1,228	3,118	2,414	3,172	2,780	1,863
Capital Market Authority	3	3	3	3	3	3
Cedrus Bank SAL	35,241	45,073	309,393	494,656	579,038	673,000
Cedrus Invest Bank SAL	7,030	12,511	118,495	127,581	126,193	126,570
Central Bank of Kuwait	753,750	753,750	753,750	753,750	753,750	753,750
Centre de Traitement Monetique SAL	76	77	78	77	77	78
Citibank SAL	52,481	51,853	59,250	61,222	111,232	113,348
Commission Des Communautes Europeennes	10,920	9,299	8,076	8,076	14,156	14,095
Credit Commercial Et Foncier SAL	130	136	93	622	1,514	157
Credit Financier SAL	9	9	9	9	9	9
Credit Libanais Investment Bank SAL	153,346	136,711	137,795	112,654	147,322	107,893
Credit Libanais SAL	1,814,574	1,869,048	2,588,545	3,358,825	4,281,225	5,125,281
Credit Bank SAL	560,388	687,091	818,499	950,509	1,175,008	1,379,616
CSC Bank SAL	16,131	27,033	30,792	28,178	25,668	18,088
Emirates Lebanon Bank SAL	477,469	482,589	493,408	508,517	773,615	1,329,205
Emkan Finance SAL	-	-	-	-	-	2,100
Federal Bank of Lebanon SAL	118,841	125,609	140,516	118,716	139,527	201,474
Fencia Bank SAL	314,255	322,301	427,267	520,885	585,262	820,652
FFA (Private Bank) SAL	24,274	25,674	18,929	18,727	16,255	14,518
Fidus SAL	56	493	13	664	897	8,343
Finance Bank SAL	35,994	34,710	34,317	30,947	121,712	151,817
First Abu Dhabi Bank SAL	150,750	-	-	-	-	-
First National Bank SAL	651,504	832,729	1,137,221	1,413,510	1,660,400	1,733,194
FNB Capital SAL	1,475	1,572	448	120	145	64
FNB Finance SAL	-	-	-	-	-	111
Fransa Invest Bank SAL	17,909	16,955	23,741	22,617	21,613	17,892
Fransabank SAL	2,460,496	2,266,114	3,047,447	4,198,995	5,687,949	6,428,239
Habib Bank Limited	5,777	6,749	10,517	6,750	11,511	36,574
HSBC Bank Middle East Limited	166,398	134,200	-	-	-	-
IBL Bank SAL	1,036,270	1,093,980	1,507,180	1,691,962	3,128,353	3,307,260
IBL Investment Bank SAL	9,241	9,678	7,060	6,808	4,825	1,996



	2015	2016	2017	2018	2019	2020
International Payment Network SAL	546	590	597	518	503	504
Invest Bank	21,088	27,858	32,676	32,873	34,693	92,389
JTB Bank SAL	140,652	136,243	164,118	161,641	19,017	17,177
Kafalat SAI Guarantees for loans to small & med. Enterprise	25,467	16,707	13,604	28,629	19,816	21,345
Kingdom of Saudi Arabia - Ministry of Finance	301,500	-	-	-	-	-
Kuwait Investment Authority	150,750	150,750	150,750	150,750	150,750	150,750
LCB Finance SAL	98	98	98	99	100	100
Lebanese Islamic Bank SAL	19,460	20,025	27,496	27,934	27,594	29,026
Lebanese Swiss Bank SAL	219,827	234,006	453,580	624,181	1,033,791	1,287,558
LGB Bank SAL	559,196	596,978	1,561,044	2,053,613	2,982,541	3,395,589
Libank SAL	17,693	13,640	34,002	38,239	56,971	213,074
Lucid Investment Bank SAL	-	-	10,963	16,024	17,070	44,503
MEAB SAL	200,416	243,352	243,740	280,785	329,943	441,287
Medinvestment Bank SAL	12,768	13,281	13,688	12,627	12,603	4,517
Midclear	105	86	124	16,016	346	1,114
Middle East Airlines	-	-	-	-	123,385	37,293
More Capital SAL	-	-	-	7,540	192,343	243,297
National Bank of Kuwait (Lebanon) SAL	65,038	76,777	65,569	75,295	95,985	96,941
Near East Commercial Bank SAL	171,301	-	-	-	-	-
North Africa Commercial Bank SAL	200,415	188,724	275,677	267,242	427,577	914,680
Optimum Invest SAL	1,259	4,031	1,319	931	28,992	34,629
Piciet & Cie Banquiers	117	1,351	223	218	3	39
Qatar Central Bank	90,450	90,450	90,450	90,450	90,450	90,450
Qatar National Bank	61,408	56,091	79,028	59,470	95,659	237,796
Rafidain Bank - Iraq	-	-	-	-	-	707,525
Rafidain Bank	798	2,060	2,001	1,838	320	3,223
Saradar Bank SAL	151,525	398,793	769,195	1,179,051	1,433,434	1,338,456
Saudi Fund for Development	159,511	158,328	157,723	157,718	156,842	156,853
Saudi Lebanese Bank SAL	5,144	7,822	7,186	3,907	2,602	697
Saudi National Commercial Bank	22,747	1,536	769	769	769	769
Societe Financiere Du Liban SAL	7,555	7,544	4	6,790	6,824	6,862
Societe Generale De Banque au Liban SAL	4,024,868	4,223,935	6,418,054	6,132,872	7,054,891	5,578,932
Sogelease Liban SAL	-	-	-	-	-	38
United Credit Bank SAL	4	4	4	4	4	4
Bitas SAL	-	-	-	-	-	2,784
Warka Bank for Investment & Finance	862	142	104	103	103	104
Unspecified	-	-	-	-	-	78,172
<b>Total</b>	<b>48,922,074</b>	<b>50,283,607</b>	<b>65,581,979</b>	<b>77,027,195</b>	<b>100,647,643</b>	<b>113,494,502</b>

Table 8.11 Deposits in LBP by bank (LBP'm)

	2015	2016	2017	2018	2019	2020
Ahmad Majzoub and Son for Exchange	150	-	-	-	-	-
Al Amir Exchange Co. Maher	0	-	-	-	-	-
Jihad Saber & Associate	22,254	40,326	38,905	46,825	22,203	30,764
Al Baraka Bank Sal	150	-	-	-	-	-
Al Fares for Exchange - Al Masri and Taleb and Associate	-	-	-	-	-	-

	2015	2016	2017	2018	2019	2020
Al-Bilad Islamic Bank for Investment and Finance	282	174	355	371	0	0
Allied Business Investment Corporation SAL	91	91	90	90	-	-
AM Bank SAL	77,714	86,241	79,390	668,849	898,236	1,057,216
Antelias Center for Exchange	-	-	-	400	-	-
Arab African International Bank	1,338	2,040	257	235	258	1,390
Arab Bank (Switzerland) Lebanon SAL	116	12	7	9	13	15
Arab Bank	89,227	90,784	78,536	21,616	54,410	173,419
Arab Finance Corporation SAL	-	-	1	0	1	1
Arab Finance House SAL	7,960	14,219	29,394	11,761	19,762	48,386
Arab Monetary Fund	628	606	643	627	624	651
Areeba SAL	-	-	-	30	30	3,365
Atlas Bank SAL	8	8	8	8	8	8
Audi Investment Bank SAL	249,445	169,023	13,018	401,558	288,494	-
Audi Private Bank SAL	7,928	14,821	22,221	18,274	964	-
BLC Bank	361,182	781,288	860,474	888,219	1,192,329	968,760
Bank Al Madina SAL	345	1,393	50	501	101	569
Bank Audi SAL	684,108	4,954,079	5,739,451	10,907,076	14,824,480	10,373,580
Bank BEMO SAL	65,738	175,761	88,437	392,741	460,398	575,123
Bank of Baghdad	2,530	4,213	5,578	473	788	6,158
Bank of Beirut Invest SAL	3,821	4,092	1,287	1,288	7,017	226
Bank of Beirut SAL	1,068,757	1,753,049	2,126,340	2,684,599	6,900,463	4,799,831
Bank Saderat Iran	41,856	56,014	48,464	36,707	37,146	64,156
Bankmed SAL	1,592,039	504,219	429,172	3,843,626	3,886,170	2,168,604
Banque Almashrek SAL	0	0	0	0	0	0
Banque de Credit National SAL	15,675	17,808	24,158	30,616	189,001	228,647
Banque de L'Habitat SAL	4,465	5,214	9,412	4,087	37,545	219,743
Banque Libano Francaise SAL	503,384	1,757,990	2,075,497	3,800,665	4,782,997	4,876,386
Bank Misr Liban SAL	55,271	63,811	409,254	471,066	574,079	380,201
Banque Pharaon Et China SAL	50,536	-	-	-	-	-
BBAC SAL	413,345	810,234	854,458	1,738,716	2,692,324	2,783,528
BLC Invest SAL	93	121	-	-	-	-
BLOM Bank SAL	3,570,648	7,187,513	9,178,248	13,312,088	15,163,716	12,118,009
BLOM Development Bank SAL	9,732	10,563	42,822	42,206	41,111	39,800
BLOMINVEST Bank SAL	989	429	301	447	573	164,573
BSL Bank SAL	76,012	143,184	244,823	432,951	662,729	620,594
Byblos Bank SAL	1,511,670	2,481,586	4,083,024	6,964,662	7,430,038	6,678,150
Byblos Invest Bank SAL	138	138	134	934	927	922
Capital Market Authority	211	1,008	1,195	426	538	1,788
Cedrus Bank SAL	4,595	19,160	182,588	179,599	341,032	307,880
Cedrus Invest Bank SAL	36	54,360	183,870	227,374	416,604	283,103
Centre de Traitement Monetique SAL	110	111	110	109	108	108
Citibank	30,490	28,848	38,592	51,794	122,259	98,259
Credit Commercial Et Foncier SAL	42	22	28	780	88	23
Credit Financier SAL	7	7	6	5	7	742
Credit Libanais Investment Bank SAL	13,472	129	204	462	66,161	66,338
Credit Libanais SAL	1,350,807	1,873,719	2,359,166	3,623,547	4,300,666	4,056,814
Credit Suisse (Lebanon) Finance SAL	-	-	-	-	1,000	-
Credit Bank SAL	427,885	917,933	1,410,029	1,643,706	2,042,381	1,329,756
CSC Bank SAL	4,008	32,572	4,670	1,939	34,671	45,479
Emirates Lebanon Bank SAL	173,016	129,323	148,276	108,714	221,025	243,984
Establishment Abou Chanakeh for Exchange	-	250	-	-	-	-
Euroclear Bank	324	661	323	323	325	327
Excillis Finance Co SAL	-	-	-	1,156	-	-

	2015	2016	2017	2018	2019	2020
Extra for Exchange	0	-	-	-	-	-
Federal Bank of Lebanon SAL	81,103	238,198	250,097	284,535	290,211	231,871
Fenicia Bank SAL	81,095	130,682	163,849	317,899	413,872	350,675
FFA (Private Bank) SAL	159	1,694	76	183	226	3,214
Fidus Bank SAL	7	117	10	10	9	39
Finance Bank SAL	112,328	152,420	140,277	127,740	350,212	357,870
First Abu Dhabi Bank	0	0	0	0	0	2,500
First National Bank SAL	443,651	832,839	1,253,769	1,581,901	1,845,059	1,717,079
FNB Capital SAL	1	3	2	3	1	3
FNB Finance SAL	-	-	-	-	-	1
Fransa Invest Bank SAL	22,228	28,941	59,482	58,352	36,331	36,330
Fransabank SAL	2,427,914	3,566,562	3,795,398	4,594,368	6,191,325	6,121,461
Habib Bank Limited	351	503	528	282	438	5,322
Halawi For Exchange - Mahmoud Halawi and Associate	27	-	-	-	-	-
Hasan el Masri and Associates for Exchange	-	-	-	-	250	-
HSBC Bank Middle East Limited	97,580	109,751	-	-	-	-
Ibda'a Microfinance SAL	-	-	-	-	-	0
IBL Bank SAL	674,839	2,712,581	2,409,907	2,725,276	4,105,005	3,841,669
IBL Investment Bank SAL	185,159	235,227	446,093	313,114	636,839	307,786
International Bank for Reconstruction and Development	31	263	323	283	283	283
International Development Association	1	1	1	1	1	1
International Finance Corporation	0	0	0	0	0	0
International Monetary Fund	1,638	3,389	3,389	3,555	3,554	3,554
International Payment Network SAL	347	431	525	529	497	483
Invest Bank	2,549	1,732	2,664	1,609	3,041	7,013
JTB Bank SAL	62,476	120,032	132,544	159,306	(109,469)	70,658
Kafalat SAI Guarantees for loans to small & med. Enterprise	12,331	12,404	17,625	16,136	22,893	12,598
Laurent Karam and Associate for Exchange	-	-	-	250	-	-
LCB Finance SAL	894	893	893	893	893	893
Lebanese Islamic Bank SAL	1,305	1,402	1,470	15,955	16,223	15,735
Lebanese Swiss Bank SAL	194,603	208,943	438,559	1,015,377	1,235,619	1,133,042
LGB Bank SAL	231,851	417,467	1,386,468	1,989,873	2,895,645	2,494,539
Libank SAL	23	6,418	499	16,108	31,158	42,778
Lucid Investment Bank	-	4	4,906	85	51	1,088
MEAB SAL	133,912	160,010	157,000	228,683	245,675	125,869
Medinvestment Bank SAL	1,845	2,743	974	681	549	594
Midclear	17	25	27	27	29	49
Middle East Airlines SAL	0	0	226	226	656	3,600
Miga's General Account	64	64	64	64	64	64
Milano For Exchange	150	-	-	-	-	-
More Capital SAL	-	-	-	9,423	250,398	302,037
National Bank of Kuwait (Lebanon) SAL	22,858	26,269	35,281	37,609	59,966	58,233
Near East Commercial Bank SAL	31,754	-	-	-	-	-
North Africa Commercial Bank SAL	38,097	59,479	130,711	98,384	153,132	162,383
Optimum Invest SAL	32	579	94	417	31,216	32,694
Qatar National Bank	1,192	10,301	5,076	974	1,080	21,082
Rafidain Bank	79	88	82	72	228	1,196
Saradar Bank SAL	43,345	223,153	289,267	1,039,356	1,153,507	964,591
Saudi Lebanese Bank SAL	2,142	2,778	1,790	2,574	2,455	3,746
Saudi National Commercial Bank	10,012	-	-	-	-	-

	2015	2016	2017	2018	2019	2020
Shouman for Exchange	1	-	-	-	-	-
Soc. Gostanian Pour le Change - Yeprem Gostanian Et Associes	0	-	-	-	-	-
Societe Financiere du Liban SAL	44	7	108	68	133	4,287
Societe General De Banque Au Liban SAL	1,072,742	3,822,398	6,014,089	9,012,792	10,357,453	4,905,658
Syrian Lebanese Commercial Bank SAL	214,735	193,519	216,922	191,469	198,924	363,807
United Credit Bank SAL	40	47	63	1,822	1,410	911
United Nations Refugees Welfare Agency	-	-	-	-	-	2,915
Vitas SAL	-	-	-	-	-	23
Warka Bank for Investment & Finance	175	113	141	12	1	0
Unspecified	-	-	651,357	0	-	(17,114,952)
<b>Total</b>	<b>18,702,356</b>	<b>37,473,617</b>	<b>48,825,897</b>	<b>76,412,531</b>	<b>98,142,846</b>	<b>61,414,646</b>

#### 8.4 Banking movements – Financial instruments

8.4.1 The RTGS-61 account was analysed to identify the movements relating to CDs, Term Deposits, treasury bills, including the following categories of transaction:

- i) **Subscription** – BdL purchased financial instruments (primarily treasury bills) from the MoF on behalf of the commercial banks,<sup>101</sup> however the interest rate on the financial instruments is not specified in these transactions.
- ii) **Buy/Sell** – This relates to the purchase and sale of financial instruments between the commercial banks and BdL in the secondary market, including any premiums or discounts. The interest rate on the financial instruments is specified in the remarks field of these transactions.
- iii) **Coupon** – This relates to the coupon payment on the financial instruments owned by the commercial banks. The coupon payment transaction will go through a series of ledger accounts prior to being netted against the current account of the commercial banks.
- iv) **Maturity** – This relates to the maturity of financial instruments and repayment of the principal to the commercial banks. The interest rate on the treasury bills is not specified in the remarks field for these transactions.

<sup>101</sup> The NPS CASC number was used to identify the relevant financial institution.



- v) **Commission** – These transactions relate to three types of commissions:
- a) **Commission** – the 50% commission on the future interest that would have been earned if the financial instrument was held to maturity and not discounted at 0% by BdL.
  - b) **Financial Instrument commission** – amounts paid to intermediaries when buying and selling a financial instrument.
  - c) **Reporting commission** – amounts paid to a financial intermediary when the intermediary reports on the holdings of financial instruments on behalf of BdL or commercial banks.
- vi) **Liquidation** – This relates to the liquidation or breaking of a financial instrument prior to the maturity.

8.4.2 Other categories were also identified, such as various types of taxes, but these categories have been removed from our summaries as they comprise small amounts. We have also removed financial instrument commissions and reporting commissions from our summaries for the same reason. It should also be noted that not all transactions with the commercial banks would have gone through RTGS-61, so it only gives us a sample of the transactions executed.

8.4.3 Table 8.12 below summarizes the overall movements between 2015 and 2020 across all banks and financial institutions:

**Table 8.12 Breakdown of overall bank movements across various financial instruments<sup>102</sup>:**

Financial Instrument	Transaction Type	2015 (LBPm)	2016 (LBPm)	2017 (LBPm)	2018 (LBPm)	2019 (LBPm)	2020 (LBPm)
Certificates of Deposit	Coupon	(2,572,849)	(3,012,014)	(2,816,811)	(3,630,626)	(4,252,610)	(4,175,798)
Certificates of Deposit	Maturity	(601,636)	(3,488,405)	(4,835,652)	(852,571)	(3,025)	(2,867,092)
Certificates of Deposit	Buy / Sell	1	42,297	14,963	85,787	(1,203,194)	(14,000)
Certificates of Deposit	Commission	-	6,376,125	2,212,798	7,943,340	-	-
Certificates of Deposit	Subscription	5,568,000	3,475,000	5,745,024	12,716,000	312,000	35,000
Murabaha Deposit	Maturity	-	(22,926)	(127,854)	(134,384)	(38,116)	(118,292)
Murabaha Deposit	Coupon	-	(650)	(2,305)	(4,374)	(5,326)	(4,799)

<sup>102</sup> See appendix 12



Financial Instrument	Transaction Type	2015 (LBPm)	2016 (LBPm)	2017 (LBPm)	2018 (LBPm)	2019 (LBPm)	2020 (LBPm)
Term Deposits	Maturity	(90,432,732)	(327,284,987)	(134,265,773)	(117,283,426)	(56,372,665)	(133,897,686)
Term Deposits	Liquidation	-	(1,211,101)	(16,122,649)	(14,387,826)	(6,808,258)	(37,785,971)
Term Deposits	Coupon	(802,255)	(784,528)	(2,040,673)	(4,195,144)	(7,919,188)	(8,164,013)
Term Deposits	Buy / Sell	-	-	(133,084)	-	-	-
Term Deposits	Subscription	90,610,175	347,052,225	158,574,829	161,952,599	86,518,217	151,498,688
Treasury Bills	Sell	(9,558,683)	(21,387,707)	(19,030,509)	(21,253,635)	(16,849,403)	(9,442,643)
Treasury Bills	Maturity	(8,049,964)	(5,269,180)	(7,215,991)	(5,390,093)	(2,220,634)	(2,387,518)
Treasury Bills	Coupon	(2,307,745)	(1,932,233)	(1,918,255)	(1,774,869)	(1,927,282)	(1,786,116)
Treasury Bills	Buy / Sell	(305,102)	-	(5,119)	-	-	(25,000)
Treasury Bills	Commission	520,741	3,373,891	364,794	634	-	-
Treasury Bills	Buy	1,173,480	1,125,850	747,249	1,866,871	12,399	3,327
Treasury Bills	Subscription	13,273,352	17,983,230	22,229,330	23,857,254	16,850,162	9,612,302

#### Treasury Bills

- 8.4.4 According to BdL, all financial instruments' transactions get netted in the current accounts, as mentioned above, except for the Term Deposits placements which get netted in the Placement Accounts.
- 8.4.5 Table 8.13 below summarizes the five largest bank movements for treasury bills between 2015 and 2020 categorised by transaction type: