Bank Audi

INTERIM FINANCIAL REPORT

END-MARCH 2023
(Unaudited)

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MANAGEMENT DISCUSSION & ANALYSIS

1.0. Basis of Presentation

The following discussion and analysis has been prepared by the Bank's Management based upon the Interim Financial Statements which are included in the following section of this report. The selected financial and operating data set forth below has been subject to rounding, extracted without material adjustment from the Interim Financial Statements. *It should be read in conjunction with, and is qualified in its entirety, by the 2022 Annual Report (audited) and the Interim Financial Statements in the first quarter of 2023 (unaudited), including the respective notes thereto.*

The Bank's Annual and Interim Financial Statements have been prepared in accordance with standards issued or adopted by the International Accounting Standards (IFRS) Board and interpretations issued by the International Financial Reporting Interpretations (IAS) Committee, the general accounting plan for banks in Lebanon, and the regulations of the Central Bank of Lebanon, the Banking Control Commission (BCC) and Lebanese Capital Market Authority (CMA). Such Interim Financial Statements include the results of the Bank and its consolidated subsidiaries as listed in Note 2.4 to the enclosed Interim Financial Statements as at end-March 2023.

Since late October 2019, Lebanon has been facing a very complex political, financial, economic and monetary crisis unprecedented in scale, which was ranked by the World Bank to be in the top three "most severe crises episodes globally since the mid-nineteenth century". The prolonged inaction by the authorities, compounded by the outbreak of the COVID-19 pandemic and the explosion of the Beirut Port in August 2020, has exacerbated the fallouts, putting the country in deep recession while severely impacting Lebanese banks' operations and financial standing. National losses have been assessed in 2022 at circa USD 70 billion.

By common local and international consensus, the government of Lebanon needs to adopt and implement a credible and comprehensive macro-financial reform program to address, among others, the systemic failure of the financial and banking sectors caused by this crisis. On 20 May 2022, the Lebanese government adopted a resolution plan led by the IMF and subject to the approval of its Executive Board. It still needs to be ratified by the Lebanese parliament. The plan includes several measures that are prerequisites to unlock funds, that could help pull the country out of a three-year financial meltdown. As of date, the parliament approved the reformed bank secrecy law and the 2022 budget while remaining measures are still pending.

While not much progress was achieved on those fronts, the IMF issued in March 2023 the concluding statement of its 2023 Article IV Mission. It says Lebanon is at a particularly difficult juncture. For over three years, it has been facing an unprecedented crisis, with severe economic dislocation, a dramatic depreciation of the Lebanese Lira and triple-digit inflation that have had a staggering impact on people's lives and livelihoods. Unemployment and emigration have increased sharply, and poverty is at historically high levels. The provision of basic services like electricity, public health, and public education have been severely disrupted, and essential social support programs and public investment have collapsed. More broadly, capacity in public administration has been critically weakened. Banks are unable to extend credit to the economy and bank deposits are mostly inaccessible to customers. The presence of a large number of refugees exacerbates Lebanon's challenges.

Within this environment, the persisting absence of a clear resolution roadmap for the Lebanese Crisis continues to prevent Management from estimating in a true and fair manner, and as per IFRS, the adverse impact of those matters on the Bank's financial position and equity, which it anticipates to be material. In particular, Management wishes to draw attention to the following key points that carry significant uncertainties with potential material impact on the future financial position of the Bank:

- The impact of the valuation of assets and liabilities in foreign currencies is expected to be significant once the revamping of the peg is implemented by the Lebanese government, as seems highly likely.
- Loss allowances on assets held at the Central Bank of Lebanon and the portfolio of Lebanese government securities are set at very low levels and considered insufficient given the underlying risks of those assets. Should an adjustment become necessary, the impact is expected to be pervasive.
- A further deterioration of the credit quality of the loan portfolio as a result of the persisting negative economic conditions and the deepening recession may reveal additional future embedded losses.
- Potential restatement of published financial statements resulting from the use of a functional currency (LBP) related to a hyperinflationary economy as per IAS 29.
- Management has concerns about the effects that the above matters will have on the equity of the Group and the recapitalisation needs that will arise once the necessary adjustments are determined and recorded.

Based on the above, the external auditors expressed again an adverse opinion on the 2022 financial statements.

As per regulatory requirements, the Bank maintains its accounts in Lebanese Pounds (LBP). Nonetheless, all figures presented in the following MD&A are expressed in US Dollars ("USD"), unless specifically otherwise stated. The ensuing difficulty in accessing foreign currencies led to the emergence of a parallel market to the official exchange rate whereby the price to access foreign currencies has been increasing constantly, deviating significantly from the official exchange rate of LBP 1,507.5 per USD prevailing till end-December 2022. In February 2023, the Central Bank of Lebanon adjusted the official exchange rate from LBP 1,507.5 to LBP 15,000 to the US Dollar. The discrepancy of the market rates relative to the official rate has resulted in an uncontrolled rise in prices and the incessant de facto depreciation of the Lebanese Pound, driving high inflation and an uncontrolled rise in the consumer price index.

The Group uses the official published exchange rates above (1,507.5 as of 31 December 2022 and 15,000 as of 31 March 2023) to translate most balances and transactions in foreign currencies, regardless of their source or nature, in line with IAS 21 due to the lack of an alternative legal exchange mechanism. As per regulatory requirement, some balances are translated based on other exchange rate such as but not limited to the "Sayrafa" rate. Consequently, the financial statements do not reflect the change of disclosures required by IAS 29 which applies for hyperinflationary economies since the existence of a wide range of FX rates prevailing on the market and the absence of forthcoming revamping of the official peg make it difficult to proceed with such adjustments, especially when it comes to the valuation of monetary assets and liabilities. Furthermore, the use of different exchange rates renders the comparison of the financial position across period also difficult.

In mid-2021, BdL Circular 158 was issued defining the mechanism for the gradual settlement of foreign currency deposits up to an amount of USD 50,000 based on several eligibility criteria. Eligible funds will be transferred to a subaccount and paid on a monthly basis of USD 400 in cash or equivalent and an amount in LBP equivalent to USD 400 and converted at a rate of USD/LBP 12,000 (before amendment at a rate of USD/LBP 15,000 on 20 January 2023) that will be paid 50% in cash and 50% credited to a payment card. The Central Bank recently announced that as at 31 December 2022, 170,000 depositors have so far benefited from the application of this circular for a total amount of USD 1.2 billion.

Until the above uncertainties are resolved, the Group is continuing its operations as performed since 17 October 2019 and in accordance with the laws and regulations. De facto capital controls and inability to transfer foreign currencies to correspondent banks outside Lebanon are exposing the Group to litigations that are dealt with on a case by case basis when they occur. Management is carefully considering the impact of these litigations and claims. Meanwhile, the Bank believes that a legislative solution is urgently needed, through the enactment of laws that are appropriate for the adjudication of the unconventional legal disputes arising under the current exceptional circumstances. Due to recent developments and the increasing trend in judgments ruled in favour of the plaintiffs and customers since 2021, Management considers that they may affect negatively the offshore liquidity of the Group, its foreign assets and its foreign currency exposure (refer to Note 54). The amount cannot be determined presently.

Within the aforementioned litigations of a systemic nature, in particular, on 22 February 2022, a complaint was filed by a group of lawyers under the name "الشعب يريد إصلاح النظام" against "Lebanese banks" and the chairmen of their boards of directors for alleged committed crimes of tort and fraudulent bankruptcy, money laundering, fraud and breach of trust. Since then, as a result of this complaint, the Public Prosecutor of Appeal in Mount Lebanon initiated several procedures and issued several decisions in this respect on selected banks, that differ from bank to bank. These included clarification sessions, interrogations, requests of specific data, examination of data by appointed experts, restraining orders, imposing travel bans, preventing disposal of assets… With respect to Bank Audi sal, the Bank, members of its Board of Directors, as well as a number of current/former employees, were the target of restraining orders preventing them from disposing of their assets (Notes 26 and 28), in addition to accusations of violation of the Bank secrecy law. Bank Audi sal has so far sought diverse legal expertise on the matter: common consensus converges toward the fact that the claims of the Public Prosecutor of Appeal in Mount Lebanon are baseless and with no legal grounds. H.E. the Prime Minister Designate of Lebanon's sent a letter to the Ministry of Interior dated 22 February 2023, requesting H.E the Minister of Interior to instruct all Internal Security Forces – General Directorate not to execute any decision or order by the said Prosecutor in relation with the above accusations. H.E. the Minister of Interior sent such communiqué on the same date. Furthermore, on 28 February 2023, the Attorney General of Lebanon instructed the Prosecutor to stop the investigations and inquiries against the Bank, as well as other banks, until the state prosecution request, filed as a result of her actions, has been ruled upon and the decision rendered. On 4 May 2023, a decision was rendered by disciplinary judges in Lebanon to suspend and dismiss the Public Prosecutor of appeal in Mount Lebanon judge Ghada Aoun for her services, based on several complaints raised by several parties in claims handled by the latter, noting that the decision is subject to appeal to the Supreme Disciplinary Authority. At present, the case is with the Judge of Instructions, and Management and its legal counsels are in the opinion that the case will be dismissed for the total lack of legal grounds. In addition, the Group may, from time to time, become involved in other legal or arbitration proceedings which may affect its operations and results.

In the midst of the exceptionally difficult economic circumstances and the lack of economically vital decisions by the Lebanese authorities, Bank Audi reiterates its abidance with all regulatory and legal requirements. The Bank also strongly pleas the government of Lebanon to start taking all the necessary steps, starting with the urgent need of a Capital Control law and a comprehensive economic and financial reform plan, as requested by all international concerned bodies, including the IMF and the World Bank, to put a stop to this economic meltdown and to the destruction of its financial system.

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

2.0. Operating Environment

The first few months of the year 2023 were characterised by a continuation of the presidential vacuum, the emergency care take nature of cabinet meetings, the lingering legislation process and the freezing of prior actions needed for an IMF final agreement. Such a politico-economic status quo translated into macro uncertainties and cloudiness, intense monetary pressures and exchange market drifts. Household consumption remained sluggish, though slightly improving, as evidenced by the rise in imports. The investment aggregate as a percentage of GDP is at a low unseen for long, as investors are refraining from taking investment decisions amid significant domestic politico-economic uncertainties.

A glance on the economic performance of the early months of this year suggests that real sector indicators were at the image of a mixed economy on the overall, though tending to extended sluggishness. Among indicators with negative growth over the first quarter, we mention cleared checks with a contraction of 22.4% and the merchandise at the port with a retreat of 2.7% year-on-year. Among indicators with positive growth, we mention the number of passengers at the airport with a rise of 24.0% and the number of aircraft landings and take-offs from BIA with an increase of 19.9%.

At the external level, the balance of payments recorded a surplus of USD 1,638 million over the first two months of 2023, after a deficit of USD 3,197 million over full-year 2022. The surplus in the balance of payments over the first two months is the result of a USD 2,140 million expansion of banks' net foreign assets, coupled with BdL's net foreign assets contraction by USD 502 million.

At the monetary level, the decline in BdL's FX reserves by USD 775 million over the first quarter is mainly the result of BdL's intervention on the "Sayrafa" platform within the context of BdL Circular 161 initiated at 2021 year-end. A negative net equity is now recognised by the Central Bank in its bimonthly balance sheet. While BdL's capital accounts stand at USD 700 million, BdL introduced (on the asset side) a valuation adjustment of USD 37 billion and other assets of USD 10 billion, leading to negative equity of -USD 47 billion, without accounting for potential losses on state lending and Eurobond portfolio holdings, thus leading to overall BdL losses of circa USD 65 billion.

The early months of the year were also marked with a significantly rampant inflation. This February, the year-on-year index has surged by 207.1% compared to results of February 2022 according to the Consultation and Research Institute. The exchange rate exceeded for the first time the six-digit threshold amid politico-economic uncertainty, speculative activities and a continuing disequilibrium between the domestic currency mass and the foreign currency mass in the parallel market.

At the capital markets level, equity markets continued the noticeable surge of the past two years. The BSE price index rose by 33.3% in the first quarter of the year, following a 37.2% increase in the index in 2022, driven by the rise in Solidere shares. This year's rise in prices occurred within the context of a 138.8% annual increase in trading volume year-on-year, moving from USD 51 million in the first quarter of 2022 to USD 122 million in the first quarter of 2023. Consequently, the turnover ratio (annual trading value to market capitalisation) increased from 2.0% to 2.5% between the two periods.

At the banking level, the cumulative banking sector analysis since the onset of Lebanon's financial crisis, i.e. between October 2019 and February 2023, shows the following trends:

- A cumulative decline in total deposits by USD 70.7 billion amid noticeable withdrawals and loan redemption: customer deposits contracted from USD 168.4 billion at end-October 2019 to USD 97.6 billion at end-February 2023, the equivalent of 42%. Resident deposits contracted by USD 56.6 billion, while non-resident deposits dropped by USD 14.1 billion. FX deposits contracted by USD 29.0 billion over the period to reach USD 94.6 billion, while LBP deposits dropped by LBP 22.4 trillion to reach LBP 45.1 trillion as at end-February 2023. As a result, deposit dollarization went up from 73.4% in October 2019 to 96.9% in February 2023.

- A cumulative decline in total loans by USD 43.6 billion amid bank deleveraging efforts: Lebanese banks have been deleveraging significantly since the onset of the Crisis. Their loan portfolio dropped from USD 54.2 billion to USD 10.6 billion, the equivalent of 80.4%. The loan redemption represents 62% of the deposit contraction over the period. FX loans contracted by USD 28.6 billion, while LBP loans dropped by LBP 7.8 trillion over the period. As a result, loan dollarization went down from 70.4% in October 2019 to 89.7% in February 2023.

- A cumulative decline in the LBP deposit interest rate by 832 basis points and in the USD deposit interest rate by 652 basis points: the average LBP deposit interest rate dropped from 9.03% at end-October 2019 to 0.71% at end-February 2023, while the average USD deposit interest rate declined from 6.61% to 0.09% over the same period. The spread between the USD deposit rate and 3-month Libor reached close to -4.88% in February 2023, against +4.71% in October 2019.

- A cumulative decline in banks FX liquidity abroad by USD 4.3 billion: Lebanese banks' claims on non-resident financial sector dropped from USD 8.4 billion at end-October 2019 to USD 4.1 billion at end-February 2023. This comes as a result of the significant foreign liquidity usage by Lebanese banks to pay in cash for customers' withdrawals at the beginning of the Crisis period, and more recently under BdL Article 158.

- A cumulative decline of USD 11.9 billion in banks' Eurobonds portfolio amid net domestic sales and provisioning: Lebanese banks' Eurobond portfolio reached USD 2.8 billion at end-February 2023, against USD 14.8 billion at end-October 2019. The portfolio contraction is tied to banks' net sales of Eurobonds at loss, mainly at the early months of the Crisis, in addition to high provisioning requirements imposed by monetary authorities on bond portfolios.

- A cumulative decline in shareholders' equity by USD 15.7 billion amid banks' net losses: shareholders' equity contracted from USD 20.6 billion at end-October 2019 to USD 4.9 billion at end-February 2023 as a result of net bank losses over the period. The losses incurred by Lebanese banks come as a result of noticeable FX costs (rate differential between the BdL circular 151 rate and the official exchange rate), the effects of mark-ups, the rising operating expenses tied to the surging inflation, in addition to significant provisions to face private and sovereign risks at large.

Lebanon's Major Economic Indicators

(USD Million)	2021	2022	1Q 2022	1Q 2023
Macro economy				
Real GDP growth (%)	-7.0%	-2.6%	-2.6%	-0.5%
Monetary sector				
Var M3	682	18,900	-4,476	-70,355
Velocity	0.27	0.29	0.07	0.06
Cleared checks	36,418	37,434	8,526	6,619
CPI inflation (end-period %)	283.3%	109.7%	226.3%	366.3%
Public sector				
Gross domestic debt	100,377	101,814	100,649	-
Foreign debt	38,515	41,337	39,359	-
Total gross debt	61,861	60,477	61,291	-
External sector				
Imports	13,641	19,054	4,130	-
Exports	3,887	3,493	1,121	-
Trade deficit	9,754	15,561	-3,009	-
Balance of payments**	-1,960	-3,197	-955	1,638
Banking sector**				
Var: Total assets	-13,219	-5,767	-1,095	-54,053
% change in assets	-7.0%	-3.3%	-0.6%	-
Var: Total deposits	-9,671	-3,751	-855	-28,064
% change in deposits	-7.0%	-2.9%	-0.7%	-
Var: Total credits	-8,453	-7,664	-1,025	-9,460
% change in credits	-23.4%	-27.7%	-3.7%	-

(*) Full-year estimate and forecast by the World Bank.
(**) First two-month figures for Q1 2022 and Q1 2023.
Sources: World Bank, Central Bank of Lebanon, and concerned public and private entities.

3.0. Consolidated Financial Condition

In the first quarter of 2023, the Bank's consolidated activity and results continue to be in line with those observed over the past 3 years, heavily marked by persisting challenges in the operating conditions in the country of presence, particularly in Lebanon. The continued absence of the reform packs unanimously requested by local and international parties to address the severe impact of the financial crisis prevailing in Lebanon since October 2019 is exacerbating the deep confidence crisis in the Lebanese banking system, while severely hampering Lebanese banks activity, which have been registering significant one-off cost tied to the Crisis. Traditional Banking activity through the customary intermediation of loans and deposits is almost inexistent: on the one hand, inflows of new deposits is hindered by the prevailing informal capital control measures undertaken by banks and remain restricted to a limited short term franchise of external accounts in fresh USD funding working capital need of customers. On the other hand, the prevailing uncertainties continue to negatively affect the corporate sector's investment sentiment and appetite to contract loans, to be added to a constricted capacity of banks to extend new loans.

On this backdrop, Bank Audi continued to focus its efforts in Lebanon, in the first quarter of 2023, on adapting quickly to the changing regulatory requirements while hedging its capital base, improving its quality of earnings, preserving the accumulated off-shore liquidity in foreign currencies, and facing heightened non-financial risks in the absence of a Capital Control law.

On the regulatory front, maybe the most salient event of the first quarter 2023 is the adoption of a new official exchange rate as of 1 February 2023 reaching LBP 15,000 per USD rising by 10-folds from an old rate of LBP 1507.5 per USD, marking the formal relinquishment by the Central Bank of Lebanon of a 30-year old currency peg. This formal devaluation of the LBP versus the USD resulted in a significant impact on all economic sectors' financial figures based on official rates. The effect of the aforementioned devaluation extended to the banking sector, affecting significantly the financial statements and regulatory ratios of all banks operating in Lebanon alike.

The following discussion and analysis includes figures translated in USD from LBP using the prevailing official exchange rates for the period (1,507.5 as of 31 December 2022 and 15,000 as of 31 March 2023). The aforementioned evolution of the official exchange rate coupled with the currency structure of balances adds an FX effect dimension to the evolution of aggregates in the first quarter of 2023. The FX effect dimension is exacerbated even more for balances and transactions in foreign currencies translated using rates other than official published rates as per regulatory requirements. In practice, Management estimates that this change will result in an inflationary impact on the Group's Financial Statements when expressed in LBP. At the income statement level, one-off FX gains will be recorded from the open FX position. In parallel, a positive impact will be recorded in Equity resulting from the net asset value of the Bank's subsidiaries that have a functional currency other than the Lebanese Pound. Expressed in USD, consolidated equity would witness a significant contraction.

In absolute terms, consolidated assets of Bank Audi, translated to USD at the prevailing official rate, moved from USD 26.9 billion as at end-December 2022 to USD 18.5 billion as at end-March 2023, decreasing by USD 8.4 billion in the first quarter of 2023. The latter decrease reflects an FX effect of USD 7.9 billion within a real decrease in consolidated assets by USD 0.5 billion over the period.

The devaluation of the LBP versus the USD had nonetheless had a much more pervasive effect on consolidated equity, given its non-monetary nature, i.e. its value in LBP does not change with the devaluation of the LBP. This effect was fortunately partially offset by the net asset value of subsidiaries with functional foreign currencies constituting a significant hedge to the Bank's capital. As a result, consolidated equity, translated to USD at the prevailing official rate, moved from USD 4.0 billion as at end-December 2022 to stand at USD 1.4 billion as at end-March 2023 decreasing by USD 2.6 billion in the first quarter of 2023. This evolution corresponds to a real decrease by USD 3.6 billion, partially offset by the positive contribution from the USD 965 million net long effective position related to the net asset value of foreign subsidiaries.

In addition, the change in the official exchange rate negatively impacted the capital adequacy ratios of the Group from translation of FCY-denominated risk-weighted assets. In waiting for potential guidance from the Central Bank of Lebanon on the treatment of the impact of the application of the new official exchange rate on capital ratio, preliminary calculation of these ratios would turn a consolidated CET1 ratio of 6.1% of 6.0% as at end-March 2023 equivalent to the regulatory minima at year-end of 6.0%. In parallel, consolidated Tier 1 ratio and the total capital adequacy ratio reach 6.5% and 7.8% respectively as at end-March 2023, compared to regulatory minima of 7.5% and 9.50% respectively. At the date of preparation of this report, Management is unable to determine the consequences and measures that might be necessary from the impact of the application of the new official published exchange rate.

As at end-December 2022, consolidated CET1 ratio stood at 6.3% while consolidated Tier 1 ratio reached 8.9% and consolidated capital adequacy ratio 9.8%, all exceeding the regulatory minima of 5.25%, 6.75% and 8.75% applicable in 2022 (including a capital conservation buffer of 0.75%).

In the first quarter of 2023, ensuring a sustainable recurrent earnings stream to the Group remained a top priority to Management. The contribution of foreign entities to consolidated net profits reached USD 21.2 million in the first quarter of 2023 compared to USD 24.4 million in the first quarter 2022, with the variation principally attributed to a negative FX translation effect tied to the devaluation of TRY versus the USD by 24% over the period.

In Lebanon, the vanishing of the income generation from Traditional Banking activity, coupled with the negative effect of the ramping inflation on the Bank's cost base, drove Management to seek new sources of sustainable core income from Transactional Banking. It started with the promotion of the "external account" in "fresh" USD starting 2020. Since that date, the increase in customers' demand for transaction in "fresh" USD, with the subsequent rise in business volumes and pricing adjustments contributed to the success of this new product. The Bank in Lebanon has managed to acquire the highest market share in terms of "fresh" business, reaching 20%. This is mainly due to the consistency in the quality of service offered and the commitment to its clients through adapted product offering (with full liquidity coverage), customer servicing (through wide branch and ATM network and solid digital platform) and transparent communication. As at end-December 2022, the client base of external accounts in "fresh" currency reached 98 thousand customers, 68% of which are individuals, 25% linked to payroll accounts and 7% relating to corporates.

Subsequently, revenue from Transactional Banking increased substantially over the period, from USD 23 million ("fresh") in 2021 to USD 52 million ("fresh") in 2022. In the first 3 months of 2023, Transactional Banking revenues reached USD 11.7 million (in "fresh" equivalent at market rate). A year-on-year analysis of this revenue stream by currency reveals that the revenues denominated in LBP increased by 2.6 times, while those denominated in local USD increased by 31% and those denominated in "fresh" USD increased by 22%.

Along those lines, the Bank has adopted a direction consisting of implementing a new Digital Banking solution following the "neo" scheme, involving building an end-to-end digital bank with no branches on digital platforms, in line with global trends and international standards. This direction has been supported by the fact that over the past 3 years, the Bank's operation in Lebanon has reduced by 80% and its income by 63%, while its number of customers decreased by only 17%, implying a large clientele base that generates negligible income. The aforementioned changes in the demographics of the customer base dictated the optimisation of the operating model whereby retail customers, of which mass and millennials would be migrated to this new operating model which offers a compelling Digital Banking proposition at low cost. The implementation of this solution is underway.

In parallel and in support of this direction, Bank Audi entered in 2023 into an 8-year partnership with Mastercard aiming at adding value to customers' service through an upgraded cardholder value propositions encompassing Mastercard's cross-border services offering seamless worldwide digital payment in a single, secure, speed connection with no backend commissions, enhanced loyalty solutions, a new digital offering and more. Reflecting Mastercard's trust in Bank Audi and Lebanon's future, this agreement renews a 20 year-old journey of Bank Audi with Mastercard.

In support of the offshore liquidity in foreign currency, Management resolved to unwind, on 15 March 2023, its USD 650 million IRS position, generating a revenue of USD 9 million for the first quarter of 2023 and an increase in offshore liquidity by USD 41 million. The execution of this decision came at the right time since a day later market shifted. Had the Bank not unwound this position, it would have incurred a net loss by USD 11 million.

In parallel, Turkey, the second principal market of the Group, witnessed a severely confronting first quarter this year, dealing with the devastating earthquakes in its southeastern region in the month of February, that have severely affected millions on an individual and business level. The extent of the resulting disruptions is such that it requires a comprehensive assessment and a financial plan to understand and mitigate the adverse effects and rebuild the impacted communities. Notwithstanding, a fragile improvement in the operating environment has been registered as business and consumer sentiment in Turkey is starting to improve after the volatility of the last couple of years, while headline inflation has been scaling back. Within this context, Odea Bank reported good results in the first quarter of 2023, reaching TRY 287 million compared to TRY 104 million in the corresponding period of last year, with the increase attributed mostly to a one-off operating income from the sale of real estate for TRY 112 million. Notwithstanding, Odea Bank continues to favour an activity growth focusing on sustainable profitability generation, with a special emphasis on improving asset quality and efficiency.

Private Banking entities have also reported a good performance in the first quarter of 2023 with assets under management increasing by 9% over the period, reaching USD 4.2 billion as at end-March 2023. Net profits of Private Banking entities amounted to USD 3.6 million in the first quarter of 2023, translating in an ROAE of 4.1%, almost the same level as the one achieved in the first quarter of 2022 (4%).

Activity Analysis

Disclaimer: the Bank's financial statements have been compiled and prepared in accordance with the regulatory requirements, especially in terms of translating all foreign currencies against the Lebanese Pound according to the prevailing official exchange rates issued by the Central Bank of Lebanon. As per regulatory requirements, Bank Audi publishes its figures in LBP, whereby most balances and transactions in foreign currencies, irrespective of their nature and source, are translated from the USD using the prevailing official exchange rate for the period as published by the Central Bank of Lebanon. As per regulatory requirement, some balances in foreign currencies are translated to LBP using other rates, of which but not limited to the "Sayrafa" rate. The official exchange rate stood at LBP 1507.5 per USD as at end-December 2022 and LBP 15,000 per USD as at end-March 2023.

All figures presented in the following analysis are expressed in US Dollars ("USD"), unless specifically otherwise stated, which are translated from Lebanese Pounds using the aforementioned official exchange rate published by the Central Bank of Lebanon.
In light of the persisting existence of a number of exchange rates in Lebanon as a result of the prolonged financial crisis, which differ greatly from the official exchange rate, the published results of the Lebanese entities may not represent an accurate reflection of absolute values and are given on an indicative basis only to underscore evolution of main indicators.

Consolidated assets of Bank Audi, translated from Lebanese Pounds at the official exchange rate for the period, stood at USD 18.5 billion as at end-March 2023, compared to USD 26.9 billion as at end-December 2022, i.e. decreasing by USD 8.4 billion. The evolution of the official exchange rate brings in an FX dimension to the evolution of aggregate across the period, taking into account the currency structure of the said aggregate. Indeed, the USD 8.4 billion decrease in consolidated assets in the first quarter of 2023 represents principally an FX effect by USD 7.9 billion and a real decrease by USD 0.5 billion (-2.2%). By entity, entities operating abroad account for USD 386 million of the real decrease, of which a contraction by USD 242 million at Odea Bank to be added to a decrease by USD 114 million in entities operating in Europe. Subsequently, assets of Lebanese entities, net of FX effect and consolidation adjustments, decreased in real terms by USD 137 million (excluding consolidated adjustments).

Consolidated deposits moved from USD 19.4 billion as at end-December 2022 to USD 15.6 billion, i.e decreasing by USD 3.7 billion of which USD 3.0 billion of FX effect leaving a real decrease by USD 0.7 billion (-4.9%). By entity, the decrease in customers' deposits in real terms is accounted for by entities operating outside Lebanon registering a decrease in their deposits by USD 244 million to be added to a decrease by USD 442 million in Bank Audi sal in Lebanon. Customers' deposits of Odea Bank dropped by USD 132 million of which a real decrease by USD 90 million and an FX effect by USD 42 million following a further devaluation of the TRY versus the USD by 2.5% over the same period. In parallel, customers' deposits of Banque Audi (Suisse) dropped by USD 139 million, an evolution justified by the market volatility and the redeployment of deposits into higher-yield financial instruments to benefit from the surge of reference rates globally.

In parallel, consolidated net loans decreased by USD 1 billion to stand at USD 2.9 billion as at end-March 2023. This contraction is accounted for in almost it entirety by the FX effect, and is justified by the currency structure of net loans of Bank Audi Lebanon favouring loans denominated in LBP. In real terms, loans of entities operating outside Lebanon increased by USD 176 million amid an almost stable evolution of loans of Lebanese entities. Net loans of Odea Bank increased by USD 86 million, reaching in real terms USD 106 million and partially offset by a negative FX effect of USD 19 million. This evolution highlights Odea Bank's current direction, to resume lending selectively, mostly limited to TRY loans extended to specific credit-worthy customers among the core clientele of the Bank.

In parallel, Banque Audi (Suisse) loans (Lombard loans) increased by USD 68 million, while net loans at Bank Audi France increased by USD 15 million.

The table below sets out the evolution of the Group's financial position as at end-March 2023, as compared to end-December 2022, expressed in USD:

Summarised Statement of Financial Position

(USD Million)	Dec-22	Mar-23	Change in Volume Mar-23/Dec-22	%
Cash & placements with banks and central banks	11,634	10,484	-1,150	-9.9%
Portfolio securities	5,535	4,170	-1,365	-24.7%
Loans to customers and related parties	3,937	2,904	-1,033	-26.2%
Other assets	707	372	-335	-47.4%
Fixed assets	5,113	580	-4,533	-88.7%
Assets = Liabilities + Equity	**26,926**	**18,510**	**-8,416**	**-31.3%**
Bank deposits	2,234	578	-1,656	-74.1%
Customers' deposits and related parties	19,381	15,632	-3,749	-19.3%
Subordinated debt	546	545	-1	-0.2%
Other liabilities	748	386	-362	-48.3%
Shareholders' equity (profit included)	4,017	1,368	-2,649	-65.9%
AUMs + fid. dep. + cust. acc.	7,573	8,103	530	7.0%
Assets + AUMS	**34,499**	**26,613**	**-7,886**	**-22.9%**

In relative terms, as at end-March 2023, the share of Lebanese entities in consolidated assets, deposits and loans decreased as the aggregate were negatively affected by the effective devaluation of the official exchange rate. 66.9% of consolidated assets were accounted for by Lebanese entities (including consolidation adjustments), 18.3% by Odea Bank in Turkey, and 8.0% by Private Banking entities, with the remaining 6.8% contributed by other entities (Bank Audi France and Bank Audi LLC (Qatar) predominantly). This is compared to 75.8%, 13.7%, 5.9% and 4.6% respectively as at end-December 2022. Lebanese entities also accounted for 70.6% of consolidated deposits and 10.3% of consolidated loans as at end-March 2023, compared to 74.9% and 37.9% respectively as at end-December 2022. In parallel, Odea Bank's share in consolidated deposits moved from 13.6% as at end-December 2022 to 16.1% as at end-March 2023 while its share in consolidated net loans moved from 38.1% as at end-December 2022 to 54.6% as at end-March 2023.

The following table sets out a breakdown of the Bank's assets, customers' deposits and loans by geography as at the dates indicated:

Breakdown by Geography

	Assets			Deposits			Loans		
	Dec-22	Mar-23	Change	Dec-22	Mar-23	Change	Dec-22	Mar-23	Change
By region									
Lebanon	75.8%	66.9%	-8.9%	74.9%	70.6%	-4.3%	37.9%	10.3%	-27.6%
Abroad	24.2%	33.1%	8.9%	25.1%	29.4%	4.3%	62.1%	89.7%	27.6%

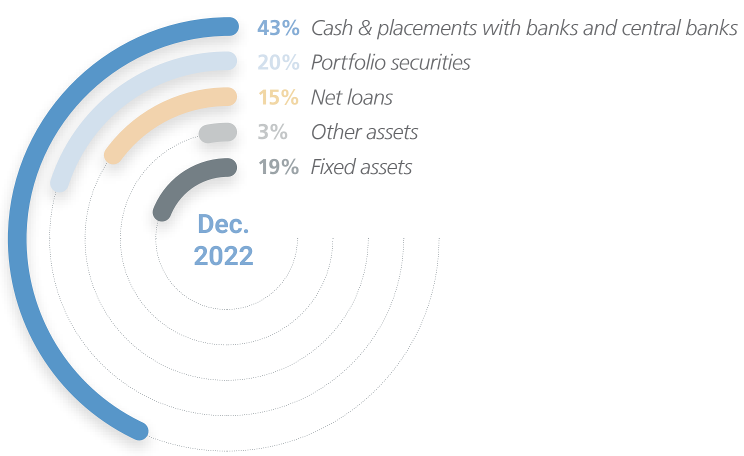
Consolidated assets under management (composed of fiduciary deposits, security accounts and asset under management) moved from USD 7.6 billion as at end-December 2022 to USD 8.1 billion as at end-March 2023, rising by USD 529 million. The latter increase is mostly accounted for by consolidated AuMs, impacted by market conditions, and correspond to an increase in Private Banking entities by USD 333 million (mainly at Banque Audi (Suisse)) to be added to an increase by USD 332 million in Lebanese entities, totally offsetting the USD 138 million decrease registered at Odea Bank. Subsequently, consolidated assets including fiduciary deposits, security accounts and AuMs aggregated to USD 26.6 billion at end-March 2023, compared to USD 34.5 billion as at end-December 2022.

3.1. Asset Allocation

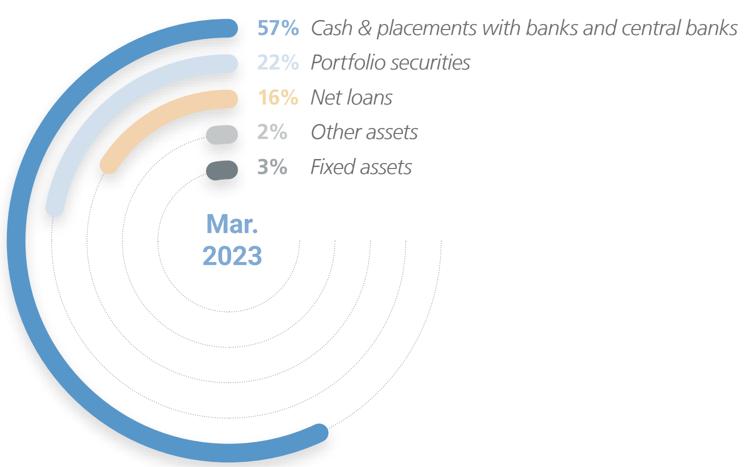
Consolidated assets allocation was almost stable in the first quarter of 2023, albeit for the share of fixed assets in total consolidated assest moving from 19% as at end-December 2022 to 3% as at end-March 2023. The distorted ratio as at end-Decemer 2022 reflects the inclusion of the USD 4.5 billion of surplus gains of revaluation of real estate properties booked at the prevailing "Sayrafa" rate in November 2022 and reaching LBP 38,000 per USD and translated at the then prevailing official exchange rate of LBP 1507.5 per USD. The evolution of the official exchange rate to LBP 15,000 per USD as at end-March 2023 normalised the effect of this inclusion to a certain extent.

The charts below highlight the structure of the consolidated uses as at end-March 2023 compared to end-December 2022:

Assets Breakdown as at end-December 2022



Assets Breakdown as at end-March 2023



Changes in Placements with Central Banks and Banks

The Bank's consolidated placements with central banks and banks (comprised principally of cash, as well as amounts held at central banks (including free accounts and compulsory reserves and excluding certificates of deposit issued by the Central Bank of Lebanon), placements with banks and loans to banks and reverse repurchase facilities with central banks and financial institutions) decreased from USD 11.6 billion as at end-December 2022 to USD 10.5 billion as at end-March 2023, corresponding to a contraction by USD 1.2 billion.

The table below sets out a breakdown of placements with central banks and banks by type and currency as at end-March 2023:

Placements with Central Bank and Banks (Excluding CDs)

(USD Million)	LBP	USD	EUR	TRY	OTHERS	TOTAL
Cash and placements with central banks	94	7,550	819	72	62	8,597
o.w. Reserves requirements	56	1,615	9			1,680
o.w. Sight & term placements	38	5,934	810	72	62	6,917
Placements with banks	1	1,335	86	226	239	1,887
o.w. Deposits with banks	1	1,335	86	56	239	1,717
o.w. Loans to banks and financial institutions and reverse repurchase agreements				170		170
Total placements	95	8,885	905	298	301	10,484

The Bank's cash and placements with central banks and banks in Lebanese Pounds are essentially composed of sight and term deposits with the Central Bank of Lebanon. Expressed in USD at the prevailing official exchange rates, placements in Lebanese Pounds decreased by USD 694 million in the first quarter 2023, from USD 789 million as at end-December 2022 to stand at USD 95 million as at end-March 2023. The devaluation of the official exchange rate by 10-fold principally justifies this significant decrease. At equal exchange rates, placements in Lebanese Pounds would have decreased in real terms by USD 352 million since the bank was actively working on reducing its FX position – within regulatory limits – from its liquidity. As a result, the share of placements with central banks and banks in Lebanese Pounds in deposits denominated in Lebanese Pounds decreased from 21.9% as at end-December 2022 to 28.2% as at end-March 2023, an evolution that is also justified by a faster decrease in deposits denominated in LBP (in real terms as well).

The Bank's cash and placements with central banks and banks in foreign currency consist of sight and short-term deposits placed at the Central Bank of Lebanon and other central banks, excluding certificates of deposit issued by BdL, and placements in prime banks in OECD countries. The Bank's cash and placements with central banks and banks in foreign currencies decreased by USD 456 million, of which a decrease in sight deposits at central banks by USD 198 million and in placements with banks by USD 258 million. Subsequently, the Bank's cash and placements with central banks and banks in foreign currencies stood at USD 10.4 billion as at end-March 2023, broken down over USD 8.5 billion of placements with central banks in foreign currencies and USD 1.9 billion of placements with banks in foreign currencies. Part and parcel of the latter, Bank Audi Lebanon had USD 986 million in free liquidity denominated in foreign currencies as at end-March 2023, built through markup transactions, capital increase, sale of foreign entities and upstreaming dividends from foreign entities. Net of the external accounts deposits in same currencies, net free liquidity in FCY would reach USD 679 million at the same date. More significantly, as at end-March 2023, the foreign liquidity of Bank Audi Lebanon, free from any obligation, continued to exceed the regulatory requirement of 3% of customers' deposits as per BdL Basic Circular 154 as amended in October 2022, reaching 8.5% as at 22 April 2022.

Owing to a faster contraction in placements with central banks and banks in foreign currencies (-4.2%) than in consolidated customers' deposits in foreign currencies (-3.1%) in the first quarter of 2023, the share of those placements in deposits denominated in foreign currencies at consolidated basis decreased from 68.7% as at end-December 2022 to 67.9% as at end-March 2023. Placements with central banks in foreign currencies represented 55.6% of consolidated customers' deposits as at end-March 2023 compared to 55.1% as at end-December 2022. In parallel, placements with banks in foreign currencies to consolidated customers' deposits in foreign currencies moved from 13.6% as at end-December 2022 to 12.3% as at end-March 2023.

Notwithstanding, the Bank continues to implement initiatives to actively support and guard the offshore liquidity of Bank Audi Lebanon, placed outside Lebanon. Within that scope, Management resolved to unwind, on 15 March 2023, its USD 650 million IRS position, generating a revenue of USD 9 million for the first quarter of 2023 and an increase in offshore liquidity by USD 41 million. The execution of this decision came at the right time since a day later market shifted. Had the Bank not unwound this position, it would have incurred a net loss by USD 11 million.

Changes in Securities Portfolio

The Bank's portfolio of securities is comprised principally of certificates of deposit issued by the Central Bank of Lebanon, Lebanese Pound-denominated Treasury bills, foreign currency-denominated sovereign bonds (principally US Dollar-denominated Eurobonds issued by the Lebanese Republic), non-Lebanese sovereign bonds, other fixed income instruments and equity securities.

In the first quarter of 2023, the Bank's securities portfolio decreased by USD 1.4 billion (-24.7%), from USD 5.5 billion as at end-December 2022 to USD 4.2 billion as at end-March 2023. By currency, this decrease reflects a contraction of portfolio securities denominated in LBP by LBP 1.2 billion, mainly as a result of the adoption of the new official exchange rate within a decrease in portfolio securities denominated in foreign currencies by USD 119 million.

The following table sets out the distribution of the Bank's securities portfolio by type of security as at the dates indicated:

Portfolio Securities Breakdown

(USD Million)	Dec-22	Mar-23	Change in Volume	Change in %
Central Bank of Lebanon certificates of deposit	2,264	2,231	-34	-1.5%
LBP-denominated	17	6	-13	-72.2%
Foreign currency-denominated	2,247	2,225	-21	-0.9%
Net Lebanese Treasury bills and Eurobonds	1,474	247	-1,227	-83.2%
LBP-denominated	1,360	137	-1,222	-89.9%
Foreign currency-denominated	114	110	-4	-3.9%
Risk-ceded government Eurobonds	11	11		
LBP-denominated				
Foreign currency-denominated	11	11		
Other non-Lebanese sovereign securities	1,163	1,106	-57	-4.9%
TRY	523	524	3	0.5%
USD	518	458	-59	-11.4%
EUR	123	124	1	0.6%
Other fixed income securities	508	471	-39	-7.6%
LBP-denominated				
Foreign currency-denominated	508	471	-39	-7.6%
Equity securities	114	104	-11	-9.2%
LBP-denominated	14	1	-13	-90.0%
Foreign currency-denominated	100	103	3	3.0%
Total portfolio securities	5,535	4,170	-1,365	-24.7%

Lebanese Bonds and Central Bank Certificates of Deposit Portfolio

Exposure to the Central Bank of Lebanon in the form of certificates of deposit in Lebanese Pounds decreased in absolute terms by USD 13 million to stand at a mere USD 6 million. In real terms, taking into account the negative FX effect, this reflects a real increase by USD 40.8 million stemming essentially from accrued interest in FCY placements with BdL paid in in LBP. In foreign currencies, this exposure contracted by USD 21 million, from USD 2,247 million as at end-December 2022 to USD 2,225 million as at end-March 2023, resulting from a swap against compulsory reserves. When adding the placements at the Central Bank of Lebanon denominated in foreign currencies, the total exposure in foreign currencies to the Central Bank of Lebanon would reach 10 billion as at end-March 2023, almost the same level as at end-December 2022 of USD 10.1 billion. This is net of an ECL of USD 195 million taken on this exposure as per regulatory requirement (1.89%) which remained unchanged across the period.

The Group's exposure to Lebanese securities decreased by USD 1.2 billion in the first quarter of 2023, representing mostly the negative FX impact on the stock of Treasury bills held by the Bank. The Group's exposure to Lebanese sovereign Eurobonds net of ECLs, including the risk-ceded government bonds, decreased by a mere USD 3 million in the first quarter of 2023, to stand at USD 121 million as at end-March 2023. Since July 2021, Management opted to purchase RoL Eurobonds based on an opportunistic approach, given the depressed market valuations of these bonds potentially offering investors an attractive upside potential in a post-restructuring era. The Bank is currently booking those securities in "fresh" USD at market value when held in the trading portfolio.

Non-Lebanese Sovereign Securities

The Bank's non-Lebanese sovereign risk decreased by USD 57 million in the first quarter of 2023, from USD 1,163 million as at end-December 2022 to USD 1,106 million as at end-March 2023, almost entirely attributed to non-Lebanese sovereign securities in USD.

In relative terms, the Bank's portfolio of non-Lebanese sovereign bonds represented 26.5% of the total securities portfolio as at end-March 2023 compared to 21.0% as at end-December 2022. It also represents 7.2% of foreign currency-denominated customers' deposits as at end-March 2023, compared to 7.4% as at end-December 2022.

Other International Fixed Income Securities

The Bank's exposure to other international fixed income securities decreased by USD 38 million in the first quarter of 2023, from USD 509 million as at end-December 2022 to USD 471 million as at end-March 2023. This is mainly due to the decrease of "Loans and Advances to customers at fair value through P&L" and a decrease of bonds portfolio related to banks and financial institutions issuers. The portfolio is still concentrated on banks and financial institutions issuers which represent 59.4% of the total portfolio, while corporate issuers accounted for 17.9% and remainder 22.7% represented loans to customers at fair value through P&L.

Changes in Net Loans to Customers

The Bank continues to face challenging credit conditions and an unprecedented economic downturn in its principal markets of presence, Lebanon and Turkey.

Lebanese Entities

The net loan portfolio of Lebanese entities has contracted during the first quarter of 2023 by around c/v USD 1,194 million mainly due to the below:

- Official rate of the Lebanese currency against the US Dollar: the official exchange rate as published by the Central Bank of Lebanon was devalued in February 2023 from USD/LBP 1,507.5 to USD/LBP 15,000.
- Collection effort related to settlement of NPL loans mainly related to 2 clients, amounting to USD 118 million.
- Settlement of loans in line with the de-risking strategy adopted since the start of the Lebanese crisis.

We note that few selective lending in LBP are being granted to strategic clients operating in defensive sectors.

Analysis of Loans by Currency

Following the above official rate increase, FC loans surged again to constitute 67% of the remaining net loan portfolio, up from 23% in December 2022.

Loan Quality(*)

Lebanese Entities

(USD Million)	Dec-22	**Mar-23**	Change Mar-23/Dec-22
Credit-impaired loans	567	**354**	**-213**
o.w. Corporate	435	278	-157
o.w. Retail	132	77	-55
Net loans	1,493	**300**	**-1,194**
o.w. Corporate	1,131	252	-879
o.w. Retail	362	48	-314
Allowance for ECL Stage 3	416	**297**	**-119**
o.w. Corporate	296	224	-71
o.w. Retail	121	73	-48
Allowance for ECL Stages 1 & 2	**39**	29	**-10**
o.w. Corporate	13	23	9
o.w. Retail	25	7	-19
Credit-impaired loans/Gross loans	**29.1%**	56.6%	**27.5%**
o.w. Corporate	30.2%	55.6%	25.4%
o.w. Retail	25.9%	60.3%	34.4%
Net credit-impaired loans/Gross loans	**7.7%**	9.1%	**1.4%**
o.w. Corporate	9.7%	10.7%	1.0%
o.w. Retail	2.1%	3.0%	0.9%
Credit-impaired loans coverage	**73.5%**	83.9%	**10.4%**
o.w. Corporate	67.9%	80.8%	12.9%
o.w. Retail	91.8%	95.0%	3.2%
Allowance for ECL Stages 1 & 2/Net loans	**2.6%**	9.8%	**7.2%**
o.w. Corporate	1.2%	9.0%	7.8%
o.w. Retail	7.0%	14.0%	7.0%

(*) As per IFRS 9.

Credit-impaired loans of Lebanese entities decreased substantially by USD 213 million (merely 38% drop) due to collection effort, and stood at USD 354 million as at end-March 2023 mainly due to settlement of commercial loans of USD 157 million and retail of USD 55 million.

Credit-impaired loans represent 56.6% of gross loans compared to 29.1% at end-December 2022 and were negatively impacted mainly due to the combined effect of the official rate at the level of the total portfolio and the fact that 83% of the NPL portfolio is in FC.

The total allowances for ECL Stage 3 decreased by USD 119 million with a decrease of USD 71 million in Stage 3 ECL covering corporate loans, mainly due to the release of provisions for NPL clients and a decrease in ECL of the retail portfolio for USD 48 million.

The coverage ratio of the credit-impaired loans stood at 83.9% as at end-March 2023 compared to 73.5% as at end-December 2022.

Despite the many uncertainties in the absence of clear strategies around the future operating environment in Lebanon, Management believes that the quality of the loan portfolio of Lebanese entities is not subject to any further deterioration risk:

- The loan portfolio witnessed a decrease during the past 3 years, mainly in loans denominated in foreign currency due to settlement of loans despite the current distribution of the portfolio (affected by the devaluation of the official rate).
- The loans that are denominated in LBP have decreased in value significantly due to the latest devaluation of the official BdL rate.

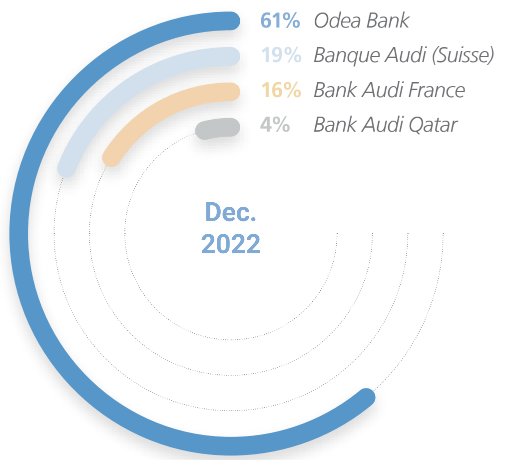
Entities Operating outside Lebanon

A breakdown of the net loan portfolio of entities operating outside Lebanon by geography as at end-March 2023 reveals that 61% were booked in Odea Bank (Turkey), 20% in Banque Audi (Suisse), 15% in Bank Audi France and 3% in Bank Audi Qatar. This is compared to 61%, 19%, 16% and 4% respectively as at end-December 2022.

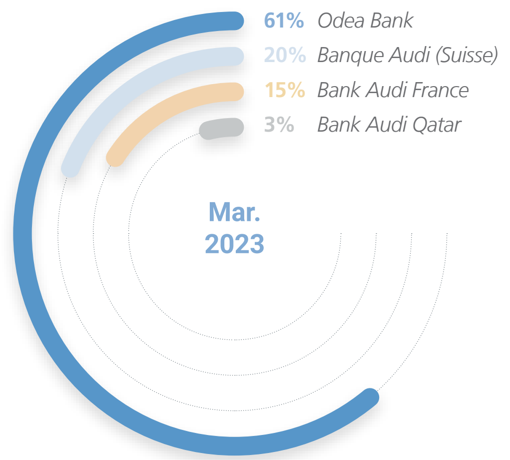
The total net loan portfolio of entities operating outside Lebanon increased by USD 160 million during the first quarter of 2023, standing at USD 2.6 billion at end-March 2023 compared to USD 2.4 billion as at end-December 2022.

The increase stems mainly from new loans granted in entities to new and existing clients in Odea Bank (increase of USD 86 million), BAS (increase of USD 68 million) and BAF (increase of USD 15 million).

Breakdown of Net Loans & Advances by Entities Operating outside Lebanon as at End-December 2022



Breakdown of Net Loans & Advances by Entities Operating outside Lebanon as at End-March 2023



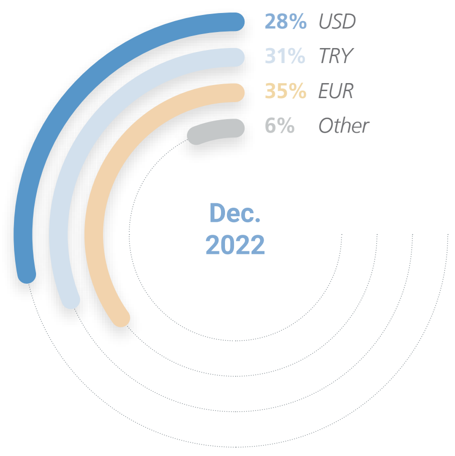
Analysis of Loans by Currency

The dominant currencies of total net loans of entities operating outside Lebanon remain the USD and the EUR, with their shares aggregating to 59% as at end-March 2023.

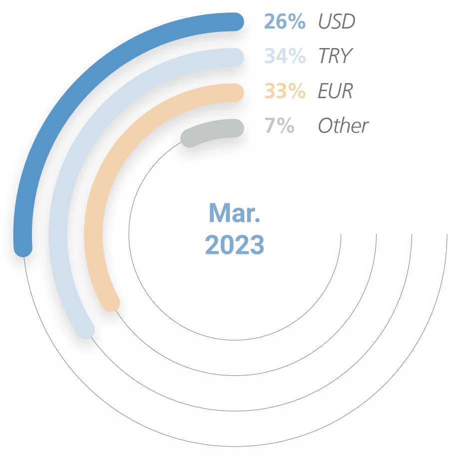
However, it is worth noting that the share of loans denominated in foreign currencies dropped in Odea Bank from 49% at end-December 2021 to 44% at end-March 2023, decreasing by USD 26 million. This decrease is driven by the continuous efforts of Odea Bank to lend in local currency and convert/settle loans denominated in foreign currencies. The latter registered an all-time low as at end-March 2023 since 2012.

The following charts show the distribution of the Bank's consolidated net loan portfolio by currency as at end-March 2023 as compared to end-December 2022:

Breakdown of Net Loans & Advances in Entities Operating outside Lebanon by Currency Entities as at End-December 2022



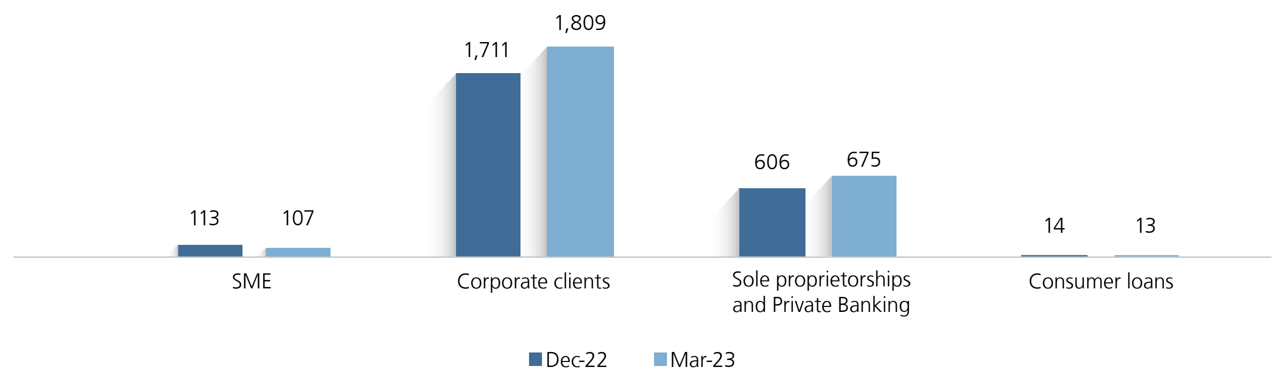
Breakdown of Net Loans & Advances in Entities Operating outside Lebanon by Currency Entities as at End-March 2023



The distribution of the Bank's net loans of entities operating outside Lebanon by type of borrower continues to show a concentration in the corporate segment which constituted 69% of the loan book as at end-March 2023 (compared to 70% as end-December 2022), followed by the Sole Proprietorship and Private Banking segment representing 26% of the portfolio (compared to 25% as at end-December 2022).

Breakdown of Net Loans & Advances in Entities Operating outside Lebanon by Type of Customer

(USD Million)



Analysis of Loans by Economic Sector

By economic sector, the net loan portfolio of entities operating outside Lebanon mainly consists of loans to the manufacturing sector (21%) which increased by USD 73 million in absolute terms (15%) during the first quarter of 2023, and of Private Banking customers (20%) which increased by USD 66 million over the same period (14%).

On the backdrop of the high level of loans denominated in foreign currencies amid the unprecedented high economic volatility witnessed in Turkey, Management continues to prioritise the contraction of the exposure in risky sectors i.e. Real Estate and Tourism

Breakdown of Net Loans & Advances in Entities Operating outside Lebanon by Economic Sector

	Dec-22		Mar-23	
(USD Million)		Share in %		Share in %
Manufacturing industries	474	19%	547	21%
Private Banking	467	19%	532	20%
Developers & real estate services	488	20%	471	18%
Hotels and restaurants	236	10%	215	8%
Electricity, gas and water	144	6%	158	6%
Wholesale trade	169	7%	196	8%
Other loans	466	19%	484	19%
Total	2,444	100%	**2,604**	**100%**

Analysis of Loans by Maturity

An analysis of the evolution of the loan book of entities operating outside Lebanon by maturity in the first quarter of 2023 shows clearly the appetite of short-term financing given the global turmoil in general and the Turkish one in specific; as a matter of fact, we witness an increase in short-term loans by USD 215 million, a decrease in medium-term facilities (declining by USD 38 million), and a decrease in long-term facilities (decreasing by USD 17 million).

Subsequently, the structure of this net loan portfolio across maturities changed with an increase in the share of short-term loans in the total to stand at 58% as at end-March 2023 compared to a share of 53% as at end December 2022 amid a decrease of medium and long-term facilities in the total net loans by around 5%.

The following table shows the breakdown of the loan portfolio of entities operating outside Lebanon by maturity as at end-March 2023 compared to end-December 2022.

Breakdown of Net Loans & Advances in Entities Operating outside Lebanon by Maturity since Inception

	Dec-22		Mar-23	
(USD Million)		Share in %		Share in %
Short-term facilities	1,288	53%	1,503	58%
Medium-term facilities	252	10%	214	8%
Long-term facilities	904	37%	887	34%
Total	2,444	100%	**2,604**	**100%**

Analysis of Loans by Type of Collateral

As at end-March 2023, 48% of the consolidated net loan portfolio booked in entities operating outside Lebanon was secured predominantly by real estate mortgages (55% of the secured portfolio).

The following table shows the distribution of the Bank's loan portfolio by type of collateral as at end-March 2023 as compared to end-December 2022:

Breakdown of Net Loans & Advances in Entities Operating outside Lebanon by Collaterals

	Dec-22		Mar-23	
(USD Million)		Share in %		Share in %
Secured	**1,200**	**49%**	1,252	48%
Cash co. & bank guarantee	259	11%	251	10%
Real estate mortgage	598	24%	679	26%
Securities (bonds & shares)	322	13%	303	12%
Vehicles	21	1%	18	1%
Corporate or personal guarantees	**852**	**35%**	844	32%
Unsecured	**392**	**16%**	508	20%
Total	2,444	100%	**2,604**	**100%**

Loan Quality(*)

Entities Operating outside Lebanon

The Bank applies the IFRS9 standard in estimating collective and specific provisions for the loan portfolio.

The following table shows the main loan quality indicators as at end-March 2023 as compared to end-December 2022 for entities operating outside Lebanon:

Entities Operating outside Lebanon

(USD Million)	Dec-22	Mar-23	Change Mar-23/Dec-22
Credit-impaired loans	103	**98**	**-5**
o.w. Corporate	99	95	-5
o.w. Retail	3	3	
Net loans	2,444	**2,604**	**160**
o.w. Corporate	2,430	2,591	161
o.w. Retail	14	13	-1
Allowance for ECL Stage 3	54	**52**	**-1**
o.w. Corporate	51	50	-1
o.w. Retail	2	2	
Allowance for ECL Stages 1 & 2	**82**	97	**15**
o.w. Corporate	82	97	15
o.w. Retail			
Credit-impaired loans/Gross loans	**4.0%**	3.5%	**-0.4%**
o.w. Corporate	3.9%	3.5%	-0.4%
o.w. Retail	20.4%	20.6%	0.2%
Net credit-impaired loans/Gross loans	**1.9%**	1.6%	**-0.3%**
o.w. Corporate	1.9%	1.6%	-0.3%
o.w. Retail	7.3%	7.4%	0.2%
Credit-impaired loans coverage	**52.2%**	53.7%	**1.5%**
o.w. Corporate	51.8%	53.3%	1.5%
o.w. Retail	64.4%	64.1%	-0.4%
Allowance for ECL Stages 1 & 2/Net loans	**3.4%**	3.7%	**0.4%**
o.w. Corporate	3.4%	3.8%	0.4%
o.w. Retail			

(*) As per IFRS 9.

Credit-impaired loans of entities operating outside Lebanon decreased by USD 5 million and continued its decreasing trend driven by collection efforts.

3.2. Funding Sources

Funding sources of Bank Audi sal continue to be predominantly driven by private customers' deposits. As at end-March 2023, consolidated deposits represented 84% of total funding sources compared to 72% as at end-December 2022, with the structural shift reflecting predominantly the FX impact following the adoption of the new official exchange rate in 2023. This was compensated by a decrease in the share of shareholders' equity in total funding from 14.9% as at end-December 2022 to 7.4% as at end-March 2023. Banks' deposits, subordinated debt and other liabilities had shares in total funding of 3.1%, 2.9% and 2.1% as at end-March 2023, compared to 8%, 2.0% and 2.8% as at end-December 2022. Driven principally by the devaluation incurred in the first quarter of the year, consolidated shareholders' equity contracted by USD 2.6 billion, moving from USD 4.0 million as at end-December 2022 to USD 1.4 billion as at end-March 2023.

The following table sets out the distribution of the Bank's sources of funding as at the dates indicated:

Breakdown of Funding Sources

(USD Million)	Dec-22	Mar-23	Change in Volume	Change in %
Central Bank's deposits	1,814	240	-1,573	-87%
Time deposit	*1,633*	*178*	*-1,454*	*-89%*
Repurchase agreements	*181*	*62*	*-119*	*-66%*
Banks' deposits	420	338	-82	-19%
Sight deposits	*103*	*82*	*-21*	*-20%*
Time deposits	*284*	*231*	*-53*	*-19%*
Repurchase agreements	*33*	*25*	*-8*	*-24%*
Customers' and related parties' deposits	19,381	15,632	-3,749	-19%
Sight deposits	*10,247*	*8,208*	*-2,039*	*-20%*
Time deposits, saving accounts and certificates of deposit	*8,570*	*7,263*	*-1,308*	*-15%*
Collateral and margins	*564*	*162*	*-402*	*-71%*
Subordinated loans	546	545	-1	0%
Other liabilities	748	386	-362	-48%
Shareholders' equity	4,017	1,368	-2,648	-66%
Total	26,926	18,510	-8,416	-31.3%

Changes in Customers' Deposits

Consolidated deposits moved from USD 19.4 million as at end-December 2022 to USD 15.6 billion, i.e. decreasing by USD 3.7 billion of which USD 3.0 billion of FX effect leaving a real decrease by USD 0.7 billion (-4.4%). By entity, the decrease in customers' deposits in real terms is accounted for by entities operating outside Lebanon registering a decrease in their deposits by USD 275 million, with the remainder decrease accounted for by Bank Audi sal in Lebanon (USD 428 million). Customers' deposits of Odea Bank dropped by USD 132 million, of which a real decrease by USD 90 million and an FX effect by USD 42 million following a further devaluation of the TRY versus the USD by 2.5% over the same period. In parallel, customers' deposits of Banque Audi (Suisse) dropped by USD 139 million, an evolution justified by the market volatility and the redeployment of deposits into higher yield financial instruments to benefit from the surge of reference rates globally.

In real terms, the decrease of deposits of Lebanese entities by USD 428 million is broken down over a decrease in deposits denominated in LBP by USD 235 million to be added to a decrease in deposits denominated in US Dollars by USD 194 million. Customers' deposits of Lebanese entities stood at USD 11.1 billion as at end-March 2023, of which USD 10.8 billion in foreign currencies and USD 342 million denominated in LBP.

Subsequently, Lebanese entities account for a share of 70.6% in consolidated customers' deposits as at end-March 2023 including consolidated adjustments, followed by a contribution of 16.1% for Odea Bank and 6.6% from Private Banking entities and 6.7% from other entities. This is compared to 74.9%, 13.6%, 6.1% and 5.4% respectively as at end-December 2022.

Analysis of Customers' Deposits by Business Segment

The share of Retail and Personal Banking deposits in consolidated deposits rose to 88.5% as at end-March 2023 compared to 86.1% as at end-December 2022. Retail and Personal Banking deposits reached USD 13.8 billion as at end-March 2023 compared to USD 16.7 billion as at end-December 2022, decreasing by USD 2.8 billion (-17.0%) over the period.

The rise in the share of Retail and Personal Banking deposits is hence attributed to a faster decrease in Corporate and SME deposits by USD 909 million (-33.6%) over the same period. Corporate and SME deposits moved from USD 2.7 billion at end-December 2022 to stand at USD 1.8 billion as at end-March 2023, representing 11.5% of consolidated customers' deposits (versus 13.9% as at end-December 2022).

Analysis of Customers' Deposits by Type

As at end-March 2023, the evolution of consolidated customers' deposits by type continues to favour sight deposits. This evolution underscores the low confidence level of depositors in Lebanon amid persisting high uncertainties and the extremely low cost of deposits that has compelled some of those depositors to keep their savings in sight deposits awaiting a resolution of the current financial crisis.

In absolute terms. sight and short-term deposits moved from USD 10.8 billion as at end-December 2022 to USD 8.4 billion as at end-March 2023, decreasing by USD 2.4 billion, an evolution principally justified by the negative FX effect of the adoption of the new official exchange rate in Lebanon. They represented 53.5% of total consolidated deposits as at end-March 2023 compared to 55.8% as at end-December 2022.

In parallel, time deposits that include saving deposits and certificates of deposit decreased by USD 1.3 billion over the same period, from USD 8.6 billion as at end-December 2022 to USD 7.3 billion as at end-March 2023, representing 46.5% of total deposits as at end-March 2023 compared to 44.2% as at end-December 2022.

Analysis of Customers' Deposits by Currency

The following table sets out the distribution of the Bank's consolidated customers' deposits by currency as at the dates indicated:

Breakdown of Deposits by Currency

	Dec-22		Mar-23		Change Mar-23/Dec-22	
(USD Million)	Volume	Share in Total	Volume	Share in Total	Volume	Share in Total
Lebanese Pound	3,605	18.6%	339	2.2%	-3,267	-16.4%
US Dollars	12,172	62.8%	11,841	75.7%	-331	12.9%
Turkish Lira	1,669	8.6%	1,589	10.2%	-80	1.6%
Euro	1,447	7.5%	1,360	8.7%	-87	1.2%
Other currencies	488	2.5%	503	3.2%	15	0.7%
Total	19,381	100.0%	15,632	100.0%	-3,751	

Owing the adoption of the new official rate in Lebanon in February 2023, the share of deposits denominated in LBP in consolidated customers' deposits dropped from 18.6% as at end-December 2022 to 2.2% as at end-March 2023. In parallel, the share of customers' deposits denominated in US Dollars in the total increased from 62.8% as at end-December 2022 to 75.7% as at end-March 2023, and continued to comprise the bulk of consolidated deposits. The share of deposits denominated in Turkish Lira also increased by 1.6% to stand at 10.2% as at end-March 2023 while the share of deposits denominated in Euro in total deposits increased by 1.2% to stand at 8.7% of the total deposits.

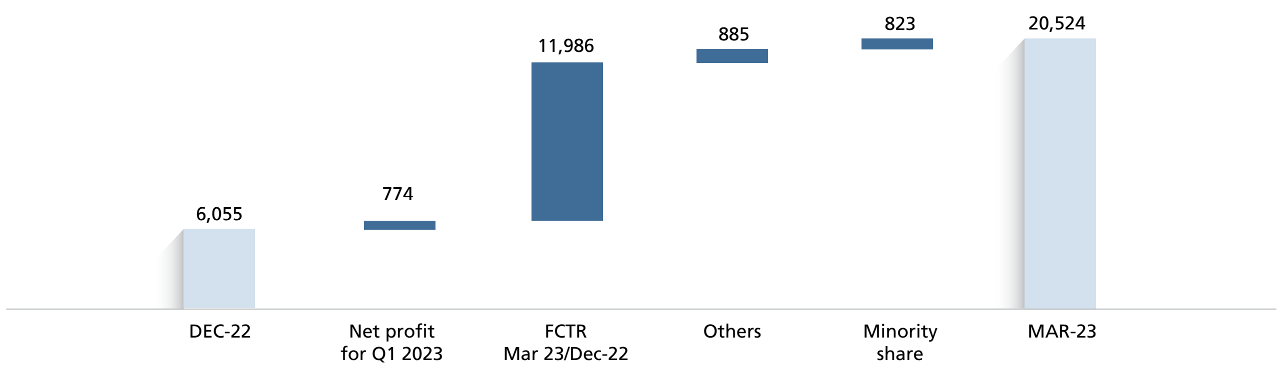
Changes in Shareholders' Equity

In the first quarter of 2023, consolidated shareholders' equity of Bank Audi contracted by USD 2.6 billion, from USD 4.0 billion as at end-December 2022 to stand at USD 1.4 billion as at end-March 2023. The said decrease reflects primarily the pervasive impact of the devaluation of the LBP versus the USD and the adoption by Lebanon, early February 2023, of the new official exchange rate, underscoring a devaluation by 10 times relative to the old rate. This effect is even more exacerbated by the non-monetary nature of shareholders' equity, i.e. its value in LBP does not change with the devaluation of the LBP, amid a partial relief from net asset value of subsidiaries with functional foreign currencies constituting a significant hedge to the Bank's capital. The USD 2.6 billion contraction in consolidated shareholders' equity in the first quarter of 2023 corresponds to a real decrease by USD 3.6 billion, partially offset by one-off FX gains generated by the open FX position, in addition to the positive contribution from the USD 965 million net long effective position related to the net asset value of foreign subsidiaries.

As at end-March 2023, consolidated equity represented 7.4% of consolidated assets compared to 14.9% as at end-December 2022.

Evolution of Shareholders' Equity in the First Quarter of 2023

(LBP Billion)



Capital Adequacy

The following table sets out the calculation of the Bank's capital adequacy ratios over the different components as at end-March 2023 relative to end-December 2022:

Capital Adequacy Ratio

(USD Million)	Dec-22	Mar-23	Change Mar-23/Dec-22
Risk-weighted assets	23,909	**17,126**	**-6,782**
o.w. Credit risk	23,186	16,724	-6,462
o.w. Market risk	386	368	-18
o.w. Operational risk	336	34	-302
Tier 1 capital	2,118	1,113	-1,005
o.w. Common Tier 1	1,512	*1,049*	*-463*
Tier 2 capital	227	225	-2
Total regulatory capital	2,345	1,338	-1,007
Common Tier 1 ratio	6.33%	6.13%	-0.20%
+ Additional Tier 1 ratio	2.53%	0.37%	-2.16%
= Tier 1 ratio	8.86%	6.50%	**-2.36%**
Tier 2 ratio	0.95%	1.31%	0.36%
Total ratio	9.81%	**7.81%**	**-2.00%**
Minimum capital requirements(*)			
Common Tier 1 ratio	5.25%	**6.00%**	
+ Additional Tier 1 ratio	1.50%	1.50%	
= Tier 1 ratio	6.75%	**7.50%**	
Tier 2 ratio	2.00%	2.00%	
Total Capital ratio	8.75%	**9.50%**	

(*) BdL IC 567 allowed banks exceptionally during 2020 and 2021 to draw down the 2.5% capital conservation buffer on condition of rebuilding it progressively starting 2022 by 0.75% each year, to reach the minimum required level of 2.5% by the end of 2024.

In parallel with the aforementioned decrease in consolidated shareholders' equity observed in the first quarter of 2023, regulatory capital also decreased by USD 1.0 billion, moving from USD 2.3 billion as at end-December 2022 to USD 1.3 billion as at end-March 2023, corresponding to a contraction by 43%.

In addition, the change in the official exchange rate negatively impacted consolidated risk weighted assets from the translation of FCY denominated risk-weighted assets, impacting their overall density. Consolidated risk-weighted assets moved from USD 23.9 billion as at end-December 2022 to stand at USD 17.1 million as at end-March 2023, corresponding to a decrease by 26%. As a result, owing to a faster contraction in consolidated assets since a significant position of LBP-denominated assets (TBs, BdL exposure) were already risk-weighted at 0%, risk-weighted assets' density (calculated by dividing risk-weighted assets over assets) increased from 88.8% as at end-December 2022 to 92.5% as at end-March 2023.

The change of the official exchange rate had a double negative impact on the Group's consoldidated capital adequacy ratio. In waiting for potential guidance from the Central Bank of Lebanon on the treatment of the impact of the application of the new official exchange rate on capital ratio, preliminary calculation of these ratios would result in a consolidated CET1 ratio of 5.6% as at end-March 2023. In parallel, consolidated Tier 1 ratio and the total capital adequacy ratio reach 6.0% and 7.5% respectively as at end-March 2023, compared to regulatory minima of 7.5% and 9.5% respectively (year-end 2023 targets). At the date of preparation of this report, Management is so far unable to determine the consequences and measures that might be necessary from the impact of the application of the new official published exchange rate.

As at end-December 2022, the consolidated CET1 ratio stood at 6.3% while the consolidated Tier 1 ratio reached 8.9% and the consolidated capital adequacy ratio 9.8%, all exceeding the regulatory minima of 5.25%, 6.75% and 8.75% applicable in 2022 (including a capital conservation buffer of 0.75%).

3.3. Group Results of Operations

In the first quarter of 2023, Bank Audi reported consolidated net profits of LBP 774 billion, corresponding to USD 74 million when translated at the compounded average exchange rate of LBP 10,502.5 per USD over the same period. Net of the one-off positive flows amounting to USD 7 million and representing FX revaluation gains coupled with the unwinding of the IRS exposure totally offsetting a reclassification from retained earnings to the income statement of FX costs from the application of BdL's Circular 151, as well as other cost related to the Crisis, Bank Audi would have registered operating profits (normalised) of USD 67 million compared to USD 210 million, underscoring a contraction by USD 143 million.

In the first quarter of 2022, one-off costs amounted to USD 131 million and encompassed mostly loss allowances on credit, one-off commissions paid on LBP cash banknotes, one-off legal charges and other one-off expenses and provisions.

The following table sets out an overview of the Bank' consolidated financial results in the first quarter of 2023 relative to the corresponding period of 2022:

Summarised Normalised Consolidated Income Statement

(USD Million)	Q1-22	Q1-23	YoY QI-23/QI-22	
Interest income[1]	274	130	-144	-52.7%
Net of new taxes on financial investments	*-30*	*-8*	*22*	*-72.7%*
Non-interest income	90	41	-49	-54.1%
Total income	364	**171**	**-193**	**-53.0%**
Operating expenses	141	92	-49	-34.7%
Credit expense	8	4	-4	-50.0%
Income tax	5	8	3	60.0%
Total expenses	154	**104**	**-50**	**-32.5%**
Net profits after tax (normalised from operations)	210	**67**	**-143**	**-68.1%**
+ Crisis-related one-offs	-131	7	138	-105.4%
= Net profit (loss) after tax and one-offs	79	**74**	**-5**	**-6.3%**

(1) Includes interest revenues from financial assets at FVTPL.

By geography, the USD 67 million of normalised net profits achieved in the first quarter of 2023 are mostly generated from the entities operating in Lebanon, with USD 45 million (68.1% of the total) of which 20% is denominated in "fresh" US Dollars (compared to 2% a year earlier), amid a contribution of USD 13.3 million of net profits from Odea Bank (20%), USD 3.5 million from Private Banking entities (5.3%), USD 3.6 million from Bank Audi France (5.4%) and USD 0.9 million from Bank Audi Qatar (1.3%). Entities operating abroad would have hence contributed with up to USD 21.2 million to the consolidated net profits in the first quarter of 2023 compared to USD 24.4 million in the corresponding period of 2022.

Subsequently, the decrease in consolidated normalised net profits by USD 143 million in the first quarter of 2023 compared to the first quarter of 2022, stems predominantly from a lower interest income generation in Lebanon by an equivalent amount following the depletion of LBP net interest income stream amid a positive effect on the Group income statement of the change of the official exchange rate on general operating expenses of entities operating in Lebanon, that have the Lebanese Pound as a functional currency.

In what follows, we analyse the line-by-line flows of normalised profits in the first quarter of 2023 relative to the corresponding period of last year.

Net Interest Income

Consolidated net interest income net of taxes, translated at the prevailing average exchange rate for the period, amounted to USD 130 million in the first quarter of 2023, compared to USD 274 million in the corresponding period of 2022, representing a decrease by USD 144 million. By geography, entities operating outside Lebanon contributed to USD 51 million of net interest income in the first quarter of 2023 up from USD 33 million in the corresponding period of 2022. Accordingly, the decrease in consolidated net interest income stems from entities operating in Lebanon registering a net interest income of USD 79 million in the first quarter of 2023 relative to USD 241 million in the corresponding period of last year. The latter evolution is driven by maturing and the liquidation of high yielding placements in Lebanese securities denominated in LBP (Treasury bills and placements at the Central Bank of Lebanon) to buy foreign currencies, as well as by the effect of regulatory interest rates cuts on placements with the Central Bank of Lebanon denominated in foreign currencies, along with the continued effect of the deleveraging of the loan portfolio, and of course the depletion effect of the devaluation.

Subsequently, consolidated net spread deteriorated year-on-year by 1.9%, from 4.2% in the first quarter of 2022 to 2.3% in the first quarter of 2023. Spread in Lebanese entities in the first quarter of 2022 contracted by 3.1% moving from 4.9% to 1.8% in the first quarter of 2023. In parallel, Odea Bank's spread increased by 1.2% moving from 2.7% in the first quarter of 2022 to 3.9% in the first quarter of 2023, driven by a significant reduction in the applied cost of deposits.

Non-interest Income

Normalised consolidated non-interest income contracted by half, decreasing from USD 90 million in the first quarter of 2022 to USD 41 million in the first quarter of 2023. The 49 million decrease is broken down over a decreasing contribution by USD 32 million for entities operating in Lebanon and USD 17 million for entities operating outside Lebanon. On the overall, this contraction stems from a drop in net commission income by USD 18 million across the period to be added to almost no gains from financial instruments in the first quarter of 2023 relative to gains by USD 37 million in the corresponding period of 2022.

Non-interest income accounted for 0.75% of average assets as at end-March 2023 compared to 1.38% as at end-March 2022.

Total Operating Expenses

In the first quarter of 2023, the Bank's consolidated normalised total operating expenses reached USD 92 million relative to USD 141 million in the first quarter of 2022, registering a decrease by USD 49 million, or 34.7%. This evolution reflects the impact of the devaluation of the official exchange rate on the backdrop of the large share of LBP denominated operating expenses, totally offsetting the impact of the prevailing excessive inflation driven by the dollarization of commodities and the reliance for some services on the prices of the domestic oil grid. At face value, at the prevailing official rate with no differentiation between costs paid in LBP, "local" USD and "fresh" USD, general operating expenses of Lebanese entities contracted year-on-year, moving from USD 105 million in the first quarter of 2022 to USD 49 million in the first quarter of 2023. In "fresh" dollar terms, general operating expenses of Lebanese entities moved from USD 10 million in the first quarter of 2022 to USD 12 million in the first quarter of 2023, of which USD 4 million in staff expenses, USD 7 million of other operating expenses and USD 1 million of depreciation.

Management is conscious that the Bank's cost base is not sustainable at this level, particularly in the prevailing high inflationary environment. Sustaining the human capital of the Bank in Lebanon has been challenging following the resignation of talented staff to regional jobs or local jobs paying fresh, or even for immigration purposes. The significant inflation and devaluation of the local currency versus the US dollar has eroded the income of current employees, which are earning today on average today 22%-25% of their pre-crisis compensation. A correction will be made to sustain the human capital.

Based on the above, the cost to income ratio deteriorated by 15.1%, from 38.8% in the first quarter of 2022 to 53.9% in the first quarter of 2023.

Components of ROAA and ROAE

What follows is an analysis of the profitability ratio at consolidated level based on normalised profits. As at end-March 2023, Bank Audi's normalised return on average assets stood at 1.2% compared to 3.22% in the corresponding period of last year.

The table below sets a breakdown of key performance indicators over the same period:

Key Performance Metrics(*)

	Q1-22	Q1-23	Change
Spread	4.21%	2.34%	-1.88%
+ Non-interest income/AA	1.38%	0.75%	-0.64%
= Asset utilisation	5.60%	3.09%	-2.51%
X Net operating margin	57.68%	38.97%	-18.71%
o.w. Cost to income	*38.75%*	*53.85%*	*15.11%*
o.w. Provisons	*2.28%*	*2.26%*	*-0.03%*
o.w. Tax cost	*1.29%*	*4.92%*	*3.63%*
= ROAA	3.23%	1.20%	-2.03%
X Leverage	12.82	8.52	-4.30
= ROAE	41.41%	10.25%	-31.16%
ROACE	58.48%	12.68%	-45.80%

(*) *Based on normalised consolidated income statement.*

02
FINANCIAL STATEMENTS

Interim Condensed Consolidated Financial Statements (Unaudited)

Report on review of interim condensed consolidated financial statements to the Board of Directors of Bank Audi sal
Interim condensed consolidated income statement for the three-month periods ended 31 March 2023 and 31 March 2022
Interim condensed consolidated statement of comprehensive income for the three-month periods ended 31 March 2023 and 31 March 2022
Interim condensed consolidated statement of financial position as at 31 March 2023 and 31 December 2022
Interim condensed consolidated statement of changes in equity for the three-month periods ended 31 March 2023 and 31 March 2022
Notes to the interim condensed consolidated financial statements

Interim Condensed Consolidated Income Statement

For the Three-month Period Ended 31 March 2023 (Unaudited)

	Notes	Unaudited for the Period from 1 January to 31 March 2023 LBP Million	Unaudited for the Period from 1 January to 31 March 2022 LBP Million
CONTINUING OPERATIONS			
Interest and similar income		2,261,759	591,092
Interest and similar expense		(902,940)	(188,080)
Net interest income		1,358,819	403,012
Fee and commission income		442,106	87,499
Fee and commission expense	4	(74,077)	(52,544)
Net fee and commission income		368,029	34,955
Net trading gain	5	61,748	81,106
Net gain (loss) on derecognition of financial assets at amortised cost		78,885	(728)
Other operating income		101,030	8,155
Total operating income		1,968,511	526,500
Net impairment loss on financial assets	6	(120,740)	(153,730)
Net operating income		1,847,771	372,770
Personnel expenses		(519,094)	(124,604)
Other operating expenses		(379,710)	(105,081)
Depreciation of property and equipment and right-of-use assets		(72,384)	(10,150)
Amortisation of intangible assets		(13,840)	(4,263)
Total operating expenses		(985,028)	(244,098)
Operating profit		862,743	128,672
Net profit (loss) on revaluation and disposal of fixed assets		-	(195)
Profit before tax		862,743	128,477
Income tax		(88,290)	(9,454)
Profit for the period		774,453	119,023
Attributable to:			
Equity holders of the Group		737,100	116,357
Non-controlling interests		37,353	2,666
		774,453	119,023
Earnings per share:			
		LBP	LBP
Basic and diluted earnings per share		1,255	198

Interim Condensed Consolidated Statement of Comprehensive Income

For the Three-month Period Ended 31 March 2023 (Unaudited)

	Notes	Unaudited for the Period from 1 January to 31 March 2023 LBP Million	Unaudited for the Period from 1 January to 31 March 2022 LBP Million
Profit for the period		119,023	(10,957)
Other comprehensive gain that will be reclassified to the income statement in subsequent periods			
Foreign currency translation			
Exchange differences on translation of foreign operations		1,842,970	(43,699)
Net foreign currency translation		1,842,970	(43,699)
Cash flow hedge			
Net hedging gain (loss) arising during the period		4,657	(1,367)
(Gain) loss reclassified to income statement		(1,307)	124
Tax effects		2,831	59
Net change in cash flow hedge		6,181	(1,184)
Debt instruments at fair value through other comprehensive income			
Net unrealised (loss) gain		(110,335)	121,577
Tax effects		25,213	(22,837)
Net (loss) gain on debt instruments at fair value through other comprehensive Income		(85,122)	98,740
Total other comprehensive gain that will be reclassified to the income statement in subsequent periods		1,764,029	53,857
Other comprehensive income that will not be reclassified to the income statement in subsequent periods			
Gain (loss) resulting from exchange of foreign currencies		11,248,789	(94,520)
Revaluation on land and buildings			
Revaluation gain		-	311
Tax effects		222	-
Net gain on revaluation of lands and building		222	311
Remeasurement gains on defined benefit plans			
Actuarial gain on defined benefits plans		-	70
Net remeasurement gains on defined benefit plans		-	70
Equity instruments at fair value through other comprehensive income			
Net unrealised gain		820,627	177
Tax effects		(139,471)	-
Net unrealised gain on equity instruments at fair value through other comprehensive income		680,934	177
Total other comprehensive gain (loss) that will not be reclassified to the income statement in subsequent periods		11,929,945	(93,962)
Other comprehensive gain (loss) for the period, net of tax		13,693,974	(40,105)
Total comprehensive gain for the period, net of tax		14,468,427	78,918
Equity holders of the parent		13,608,061	62,247
Non-controlling interests		860,366	16,671
		14,468,427	78,918

(*) Restated for the effect of separate presentation of profit from discontinued operations and share information.

Interim Condensed Consolidated Statement of Financial Position

As at 31 March 2023 (Unaudited)

	Notes	Unaudited 31 March 2023 LBP Million	Audited 31 December 2022 LBP Million
ASSETS			
Cash and balances with central banks		128,953,349	14,304,554
Due from banks and financial institutions		25,754,862	3,016,766
Loans to banks and financial institutions and reverse repurchase agreements		2,549,847	216,397
Derivative financial instruments	7	585,383	119,143
Financial assets at fair value through profit or loss	8	2,413,932	256,745
Loans and advances to customers at amortised cost	9	42,963,767	5,871,120
Loans and advances to related parties at amortised cost		597,173	64,475
Debtors by acceptances		70,683	7,055
Financial assets at amortised cost	10	50,665,498	7,055,456
Financial assets at fair value through other comprehensive income	11	9,466,936	1,031,841
Investments in associates		183,993	14,359
Property and equipment and right-of-use assets		8,460,011	7,646,768
Intangible assets		241,450	60,777
Assets obtained in settlement of debt		695,293	163,400
Other assets	12	2,985,361	662,458
Deferred tax assets		637,919	57,195
Goodwill		422,220	42,442
TOTAL ASSETS		277,647,677	40,590,951
LIABILITIES			
Due to central banks	13	3,601,289	2,733,967
Due to banks and financial institutions		4,697,056	583,485
Due to banks under repurchase agreements		377,575	49,799
Derivative financial instruments	7	568,727	54,560
Customers' deposits	14	233,378,676	29,100,938
Deposits from related parties		1,097,673	116,350
Debt issued and other borrowed funds	15	8,335,755	823,443
Engagements by acceptances		70,683	7,055
Other liabilities	16	2,449,272	405,821
Current tax liabilities		347,247	28,996
Deferred tax liabilities		281,295	100,297
Provisions for risks and charges	17	1,918,800	530,898
TOTAL LIABILITIES		257,124,048	34,535,609
SHAREHOLDERS' EQUITY – GROUP SHARE			
Share capital – common shares		982,859	982,859
Share capital – preferred shares		10,020	10,020
Issue premium – common shares		902,290	902,290
Issue premium – preferred shares		894,480	894,480
Cash contribution to capital		72,586	72,586
Non-distributable reserves		2,529,597	2,529,255
Distributable reserves		35,995	35,995
Treasury shares		(7,645)	(9,537)
Retained earnings – Accumulated losses		4,150,635	(4,193,502)
Other components of equity	18	9,258,521	5,408,056
Result of the period		737,100	(673,985)
		19,566,438	5,958,517
NON-CONTROLLING INTERESTS		957,191	96,825
TOTAL SHAREHOLDERS' EQUITY		20,523,629	6,055,342
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		277,647,677	40,590,951

Interim Condensed Consolidated Statement of Changes in Equity

For the Three-month Period Ended 31 March 2023 (Unaudited)

	Attributable to the Equity Holders of the Group													
	Share Capital - Common Shares	Share Capital - Preferred Shares	Issue Premium - Common Shares	Issue Premium - Preferred Shares	Cash Contribution to Capital	Non-distributable Reserves	Distributable Reserves	Treasury Shares	Accumulated Losses	Other Components of Equity	Result of the Period	Total	Non-controlling Interests	Total Shareholders' Equity
	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million
Balance at 1 January 2023	**982,859**	**10,020**	**902,290**	**894,480**	**72,586**	**2,529,255**	**35,995**	**(9,537)**	**(4,193,502)**	**5,408,056**	**(673,985)**	**5,958,517**	**96,825**	**6,055,342**
Net gain for the period	-	-	-	-	-	-	-	-	-	-	737,100	737,100	37,353	774,453
Other comprehensive income	-	-	-	-	-	-	-	-	9,025,153	3,845,808	-	12,870,961	823,013	13,693,974
Total comprehensive income	-	-	-	-	-	-	-	-	**9,025,153**	**3,845,808**	**737,100**	**13,608,061**	**860,366**	**14,468,427**
Appropriation of 2022 profits	-	-	-	-	-	342	-	-	(674,327)	-	673,985	-	-	-
Treasury share transactions	-	-	-	-	-	-	-	6,549	(6,549)	-	-	-	-	-
Transfer between reserves	-	-	-	-	-	-	-	(4,657)	-	4,657	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	(140)	-	-	(140)	-	(140)
Balance at 31 March 2023	**982,859**	**10,020**	**902,290**	**894,480**	**72,586**	**2,529,597**	**35,995**	**(7,645)**	**4,150,635**	**9,258,521**	**737,100**	**19,566,438**	**957,191**	**20,523,629**
Balance at 1 January 2022	982,859	10,020	902,290	894,480	72,586	1,869,717	496,533	(9,190)	(90,155)	(1,181,287)	(285,751)	3,662,102	94,091	3,756,193
Adjustment related to prior years (Note 2.5.)	-	-	-	-	-	-	-	-	(1,395,086)	-	-	(1,395,086)	-	(1,395,086)
	982,859	10,020	902,290	894,480	72,586	1,869,717	496,533	(9,190)	(1,485,241)	(1,181,287)	(285,751)	2,267,016	94,091	2,361,107
Net loss for the year	-	-	-	-	-	-	-	-	-	-	116,357	116,357	2,666	119,023
Other comprehensive income	-	-	-	-	-	-	-	-	(94,520)	40,410	-	40,410	14,005	54,415
Total comprehensive income	-	-	-	-	-	-	-	-	(94,520)	40,410	116,357	62,247	16,671	78,918
Appropriation of 2021 profits	-	-	-	-	-	630	-	-	(286,381)	-	285,751	-	-	-
Transfer between reserves	-	-	-	-	-	-	-	-	(288)	288	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	33	-	-	33	-	33
Balance at 31 March 2022	982,859	10,020	902,290	894,480	72,586	1,870,347	496,533	(9,190)	(1,866,397)	(1,140,589)	116,357	2,329,296	110,762	2,440,058

Notes to the Interim Condensed Consolidated Financial Statements

As at 31 March 2023 (Unaudited)

NOTES' INDEX

1.0. Corporate Information

Bank Audi sal (the Bank) is a Lebanese joint stock company registered since 1962 in Lebanon under No. 11347 at the Register of Commerce and under No. 56 on the banks' list at the Central Bank of Lebanon. The Bank's head office is located in Bank Audi Plaza, Omar Daouk Street, Beirut, Lebanon. The Bank's shares are listed on the Beirut Stock Exchange. Effective 6 November 2020, the global depository receipts were delisted from the London SEAQ.

The Bank, together with its subsidiaries (collectively "the Group"), provides a full range of Retail, Commercial, Investment and Private Banking activities through its headquarters, as well as its branches in Lebanon, and its presence in Europe and the Middle East.

The consolidated financial statements were authorised for issue in accordance with the Board of Directors' resolution on 19 May 2023.

1.1. Macroeconomic Environment

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

Throughout this sequence of events, the ability of the Lebanese government and the banking sector in Lebanon to borrow funds from international markets was significantly affected. Banks have imposed de-facto capital controls, restricted transfers of foreign currencies outside Lebanon, significantly reduced credit lines to companies and withdrawals of cash to private depositors, all of which added to the disruption of the country's economic activity, as the economic model of Lebanon relies mainly on imports and consumption. Businesses are downsizing, closing or going bankrupt, and unemployment and poverty are rising fast and have reached unprecedented levels.

The difficulty in accessing foreign currencies led to the emergence of a parallel market to the peg whereby the price to access foreign currencies has been increasing constantly, deviating significantly from the peg of LBP 1,507.5 to the US Dollar. This has resulted in an uncontrolled rise in prices and the incessant de facto depreciation of the Lebanese Pound, impacting intensely the purchasing power of Lebanese citizens and driving a currency crisis, high inflation and a rise in the consumer price index.

During 2020, in an attempt to control the high rise in prices and to compensate for the loss in the Lebanese people's purchasing power, the Central Bank of Lebanon, through several circulars, introduced the following measures:

(a) Subsidised imports of essential goods (fuel oil, medicine and wheat) by providing foreign currencies for these imports at the rate of LBP 1,507.5/USD 1 (the official exchange rate). During 2021, this subsidy was lifted.
(b) Introduced the BdL Basic Circular 151 rate, to be used only in specific circumstances.
(c) Subsidised imports of Tier 2 food basket products (e.g. coffee, tea, canned food, imported meat) by providing foreign currencies for these imports at the Platform Rate. During 2021, this subsidy was lifted.
(d) Introduced exceptional measures for bank depositors to withdraw small amounts of cash in LBP from their "local" foreign currency bank accounts at the Platform Rate, but up to limits set by the Bank.

During May 2021, the Central Bank of Lebanon introduced the framework of exceptional measures for foreign-currency operations. Hence, banks operating in Lebanon must process customers' FX operations (buy and sell) related to their personal or commercial needs on the electronic platform "Sayrafa". Transactions with customers encompass purchase and sale of foreign currencies banknotes against LBP, as well as operations from/to foreign currencies external accounts against LBP. "Sayrafa" corresponds to a floating system and the "Sayrafa" average rate and volume of foreign currency operations are published on the website of the Central Bank of Lebanon.

However, despite these efforts, inflation increased at an accelerating pace, eroding the real value of the local currency and "local" foreign currency bank accounts (subject to de facto capital controls), and tossing Lebanon in hyperinflation and major economic collapse.

In mid-2021, BdL circular 158 was issued, defining the mechanism for the gradual settlement of foreign currency deposits up to an amount of USD 50,000 based on several eligibility criteria. Eligible funds will be transferred to a subaccount and paid on a monthly basis of USD 400 in cash or equivalent and an amount in LBP equivalent to USD 400 and converted at a rate of LBP 12,000/USD 1 (before amendment at a rate of LBP 15,000 to the US Dollar on 20 January 2023) that will be paid 50% in cash and 50% credited to a payment card. The Central Bank recently announced that as at 31 December 2022, 170,000 depositors have so far benefited from the application of this circular for a total amount of USD 1.2 billion.

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

Lebanese Government's Financial Recovery Plan

A financial recovery plan was ratified by the Cabinet on 20 May 2022. The document was passed by the Cabinet in its final session hours before losing decision-making powers, following the election of a new parliament on 15 May.

Lebanon's government foresees cancelling "a large part" of the Central Bank's foreign currency obligations to commercial banks and dissolving non-viable banks by November, according to the Plan.

The latter includes several measures that are prerequisites to unlock funds from a preliminary deal with the International Monetary Fund agreed in April, that could help pull the country out of a three-year financial meltdown.

The endorsed plan foresees a full audit of the Central Bank's forex financial standing by July. Then, the government "will cancel, at the outset, a large part of the Central Bank's foreign currency obligations to banks in order to reduce the deficit in BdL's capital," the document said.

The largest 14 commercial banks, representing 83% of total assets, would also be audited. Viable banks would be recapitalised with "significant contributions" from banks' shareholders and large depositors.

The plan made no mention of a sovereign fund to manage state-owned assets but pledges to limit recourse to public assets, which had been a demand of Lebanon's commercial banks. The plan said it would protect small depositors "to the maximum extent possible" in each viable bank, but did not lay out a minimum amount to be protected – unlike draft plans. Non-viable banks, however, would be dissolved by the end of November, it added. As of today, laws for the reinstatement of financial stability, for the resolution of banks and for capital controls are yet to be issued. The timeline for their issuance is affected by the presidential vacuum and political deadlock facing Lebanon. It also said the government would unify the official exchange rate, ending a system in which the government offered various exchange rates for different operations.

International Monetary Fund (IMF)

The Lebanese authorities and the IMF team have reached a staff-level agreement (SLA) on comprehensive economic policies that could be supported by a 46-month Extended Fund Arrangement (EFF) with requested access of SDR 2,173.9 million (equivalent to about USD 3 billion). This agreement is subject to approval by IMF Management and the Executive Board, after the timely implementation of all prior actions and confirmations of international partners' financial support.

Prior actions include the following measures prior to the IMF Board's consideration:

- Cabinet approval of a bank restructuring strategy that recognises and addresses upfront the large losses in the sector, while protecting small depositors and limiting recourse to public resources.
- Parliament approval of an appropriate emergency bank resolution legislation which is needed to implement banks' restructuring strategy.
- Initiation of an externally assisted bank-by-bank evaluation for the 14 largest banks.
- Parliament approval of a reformed bank secrecy law to bring it in line with international standards.
- Completion of the special purpose audit of the BdL's foreign asset position.
- Cabinet approval of a medium-term fiscal and debt restructuring strategy.
- Parliament approval of the 2022 budget, to start regaining fiscal accountability.
- Unification by BdL of the exchange rates for authorised current account transactions.

As of date, Parliament approved the reformed bank secrecy law and the 2022 budget.

While not much progress was achieved on other fronts, the IMF issued in March 2023 the concluding statement of its 2023 Article IV Mission. It says Lebanon is at a particularly difficult juncture. For over three years, it has been facing an unprecedented crisis, with severe economic dislocation, a dramatic depreciation of the Lebanese lira and triple-digit inflation that have had a staggering impact on people's lives and livelihoods. Unemployment and emigration have increased sharply, and poverty is at historically high levels. The provision of basic services like electricity, public health, and public education has been severely disrupted, and essential social support programs and public investment have collapsed. More broadly, capacity in public administration has been critically weakened. Banks are unable to extend credit to the economy and bank deposits are mostly inaccessible to customers. The presence of a large number of refugees exacerbates Lebanon's challenges.

Maritime Border Demarcation Agreement

The maritime border demarcation agreement between Lebanon and Israel was finalised in October. The deal could enhance long-term economic prospects and improve the country's external position, which is positive for Lebanon's credit profile, but implementation risks remain significant. International Rating Fitch disclosed that gas discoveries would generate important economic benefits for Lebanon, should the resources prove to be commercially viable. Moody's disclosed that the agreement is credit positive for Lebanon because it will help alleviate the country's chronic power deficit and kick-start an economic recovery.

Such deals and initiatives are of a long term rather than imminent nature, and the timing of the flow of economic benefit and positive development on Lebanon is uncertain.

Presidential Vacuum

The presidential term of President Michel Aoun has ended on 31 October 2022 without the election of a new President despite holding a number of electoral sessions that witness non-quorum in their second rounds. As such, Lebanon has entered a presidential vacuum since then, which has stalled cabinet formation, reforms and final IMF agreement.

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

1.2. Regulatory Environment

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

- Basic Circular 150 issued on 9 April 2020 and exempting banks from placing mandatory reserves with the Central Bank of Lebanon in relation to funds transferred from abroad or cash deposits in foreign currency received after 9 April 2020, subject to preserving and guaranteeing the liberty of the depositors in determining the use of these funds and benefiting from all kinds of banking services (transfers abroad, international credit card limits, foreign currency cash withdrawals…).

- Basic Circular 151 issued on 21 April 2020 and concerning depositors who wish to withdraw amounts of cash from their foreign currencies accounts as per a specific rate up to limits set by the Bank. The exchange rate specified by the Central Bank of Lebanon in its transactions with banks will remain applicable to all other operations in US Dollars.

- Intermediate Circular 552 issued on 22 April 2020 (amending Basic Circular 23) and requesting banks to grant loans against the settlement of facilities and instalments due during the months of March, April, May and June for clients who are not able to pay their dues due to the current economic situation, as assessed by the Bank. The new loans are to be granted up to 5 years starting 30 June 2020 and on condition, among others, that these are granted to repay the above months' settlements or, if the client is an establishment or corporation, to pay the staff or the production and operational fees, with no commissions or fees and zero interest rate. The Central Bank of Lebanon will grant the banks loans with zero interest rate against the said loans.

- Intermediate Circular 567 issued on 26 August 2020 (amending Basic Circulars 23, 44 and 78), which partly altered the directives for the determination of expected credit losses and regulatory capital calculation and ratios, previously set in its Intermediate Circular 543 issued on 3 February 2020. Loss rate applied for the calculation of regulatory expected credit losses on exposures to Lebanese sovereign bonds in foreign currencies was increased from 9.45% to 45%, (later on increased again to 75% by Intermediate Circular 649), while loss rates applied for the calculation of regulatory expected credit losses on exposures to Lebanese sovereign bonds in local currency, exposures to the Central Bank of Lebanon in foreign currencies and exposures to the Central Bank of Lebanon in local currency remained the same (0%, 1.89% and 0% respectively).

  - Allowing banks to constitute the expected credit losses on exposures to Lebanese sovereign and the Central Bank of Lebanon, progressively over a period of five years, noting that the Central Bank of Lebanon's Central Council may accept to extend the term to 10 years for banks that manage to complete the 20% cash contribution to capital requirement. Intermediate Circular 649 issued on 24 November 2022 replaced the aforementioned five years and ten years deadline by the fixed dates of 31 December 2026 and 31 December 2029 respectively.

  - Allowing banks not to automatically downgrade loan classification or staging for borrowers that were negatively affected by the COVID-19 pandemic, showing past due and unpaid for the period from 1 February 2020 to 31 December 2020. These borrowers must be identified as either still operating on a going concern basis or not. In case the borrower is still operating as a going concern, the Bank may reschedule the loan. In exceptional cases when the borrower ceases to operate as a going concern following the impact of the COVID-19 pandemic, the Bank must immediately downgrade the loan classification and staging to Stage 3 (default).

  - Requesting from banks to finalise the assessment of the future financial position of their customers by 31 December 2020, and to estimate expected credit losses based on this assessment and recognise the financial impact in the statement of income for the year ended 31 December 2020.

  - Prohibiting banks from distributing dividends on common shares for the years 2019 and 2020 (years 2021 and 2022 were subsequently added by way of Intermediate Circulars 616 and 659 respectively).

  - Requesting from banks to increase their own funds (equity) by an amount equal to 20% of their common equity Tier 1 capital as of 31 December 2018, through issuing new foreign currency capital instruments that meet the criteria for inclusion as regulatory capital, except retained earnings and gain from revaluation of fixed assets. The Central Bank of Lebanon's Central Council may exceptionally approve for a bank to complete 50% of the 20% required capital increase through the transfer of real estate properties from the shareholders to the concerned bank. However, these real estate properties must be liquidated in a period of 5 years following the operation.

  - Changing the treatment of revaluation of fixed assets reserve for regulatory capital calculation, to become allowed for inclusion as Common Equity Tier 1 (previously 50% of this reserve was allowed for inclusion as Tier 2), subject to approval of the Central Bank of Lebanon on the revaluation gain. However, on 20 January 2023, Intermediate Circular 659 capped the inclusion of revaluation of fixed assets at 50% under certain conditions while allowing the use of the prevailing "Sayrafa" rate at the end of each reporting period over 5 years. Besides, it widened the scope of revaluation to include participations and long-term loans to affiliated banks and financial institutions.

  - Banks must comply with the minimum capital adequacy ratios and are forbidden from distributing profits if these ratios drop below 7% for Common Equity Tier 1, 10% for Tier 1 and 12% for total capital. Banks must maintain a capital conservation buffer of 2.5%, comprised of Common Equity Tier 1.

When the buffer is drawn down, banks are required to rebuild it. However, under exceptional circumstances, the buffer may be drawn down during 2020 and 2021, but must be rebuilt progressively starting 2022 by at least 0.75% each year, to reach the minimum required of 2.5% by end of 2024.

  - Preparing and presenting to the Central Bank of Lebanon a comprehensive plan for rectifying non-compliances with regulatory capital requirements and other regulations imposed by the Central Bank of Lebanon, taking into consideration all required provisions by the Banking Control Commission of Lebanon (BCCL), as well as other losses or provisions that the Bank expects to incur from all kinds of exposures to risks, and specifying the period of time needed to address the non-compliances.

  - Exceptionally for the years 2020 and 2021, Allowances for Expected Credit Losses on Stage 1 and 2 exposures, excluding those relating to Lebanese sovereign and the Central Bank of Lebanon, may be included under regulatory Common Equity Tier 1. This treatment will be amortised over a period of 3 years (2022-2024 by 25% yearly).

- Basic Circular 154 issued on 27 August 2020 and aiming mainly at restoring the operations of banks in Lebanon to their normal levels as at before October 2019, and rectifying any non-compliance with regulatory ratios and banking regulations. The circular mainly introduced the following measures:

  - Requesting banks to present a fair assessment of the value of their assets and liabilities for the purpose of putting in place the comprehensive plan referred to in Intermediate Circular 567 (refer to above), in order to be able, within a period limited in time, to comply with the regulatory and banking requirements, mainly those related to liquidity and solvency, and in order to restore the operations of the Bank to their normal levels as at before October 2019.

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

  - Requesting from banks to maintain a current account with a foreign correspondent bank offshore, free of any obligations (liquidity abroad). Such accounts shall be at no time less than 3% of the Bank's total foreign currency deposits as at 31 July 2020, by 28 February 2021. The requirement was later amended through Intermediate Circular 645 to consider foreign currency deposits as at 30 September 2022 as the basis for the computation instead of 31 July 2020, thus lowering liquidity required levels as customers' deposits decreased over the period.

  - Requesting from banks, after taking consideration of their fair assessment of their financial position, to present a plan during the first quarter of 2021, to address recapitalisation needs, if any, to the Central Bank of Lebanon's Central Council, for its approval. Banks shall take the necessary legal and regulatory measures in order to facilitate the consensual possibility for their depositors to transfer their deposits to shares or bonds. Bank shares will be exclusively listed in Beirut. Banks can pay interest on the bonds that exceed current levels.

- Intermediate Circular 568 issued on 26 August 2020 (amending Basic Circular 81) and allowing the payments of retail loans denominated in US Dollars in Lebanese Pounds based on the official exchange rate of LBP 1,507.5 to the US Dollar subject to the following conditions:

  - The client should be a Lebanese resident.
  - The client should not have a bank account denominated in US Dollars.
  - The housing loans granted to the client should not exceed USD 800,000 while the aggregate amount of retail loans should not exceed USD 100,000 per client.
  - On 20 January 2023, Intermediate Circular 656 revoked the aforementioned provision effective 1 February 2023.

- Intermediate Circular 575 issued on 5 November 2020 states that banks should book one third of the capital gains arising from the revaluation of fixed assets held in settlement of debt under Tier 2 capital based on the following binding conditions:

  - The Central Bank of Lebanon's Central Council investigating and approving at the expense of the concerned bank the validity of the revaluation process.

  - Raising the capital before 31 December 2021, as follows:
    - Add a maximum of one third of the revaluation gains under Tier 2 capital.
    - Increase Common Equity Tier 1 capital in cash by an amount at least equivalent to the amount of the revaluation gains booked under Tier 2 capital.

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

- Basic Circular 158 issued on 8 June 2021 and defining the mechanism for the gradual settlement of foreign currency deposits up to an amount equivalent to USD 50,000. To benefit from the provisions of the said circular, certain eligibility criteria must be met. Eligible funds will be transferred to a subaccount over which banking secrecy will be lifted vis-à-vis BdL and BCC before being gradually withdrawn and remitted to the customer on a monthly basis. Customers' monthly entitlements are (i) an amount of USD 400 in cash or equivalent (transfer abroad, credited to a payment card with international usage etc.) and (ii) an amount in LBP equivalent to USD 400 and converted at a rate USD/LBP 12,000 (before amendment USD/LBP at 15,000 on 20 January 2023), noting that 50% of the amount will be paid in cash and 50% will be credited to a payment card.

The financing of the aforementioned process will be secured equally through (i) BdL reduction of compulsory reserves requirements from 15% to 14% as per BdL Intermediate Circular 586 and (ii) the Bank's offshore liquidity. To that end, the Bank can use its foreign liquidity subject computed as per BdL Basic Circular 154 requirements on the condition that it reconstitutes it by 31 December 2022, extended to 31 December 2023 by Intermediate Circular 626 issued on 21 June 2022.

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

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

- Intermediate Circular 601 issued on 8 December 2021 is an amendment to the provisions of Basic Circular 151. The circular stipulates that the Platform Rate to be applied for withdrawal cash from foreign currencies accounts is USD/LBP 8,000 up to a maximum limit of USD 3,000 per month. On 20 January 2023, Intermediate Circular 657 amended the rate to be 15,000 instead of 8,000 while reducing the limit from USD 3,000 per month to USD 1,600 per month.

- Basic Circular 161 issued on 16 December 2021 whereby the Central Bank of Lebanon will be providing banks with US Dollar up to the limits set for each bank, at the "Sayrafa" rate. In return, banks will provide the total amount to their customers at the same "Sayrafa" rate against LBP at limits set by the Bank.

- Intermediate Circular 616 issued on 3 March 2022 prohibiting banks from distributing dividends to ordinary shareholders from results of financial years 2019, 2020 and 2021 (year 2022 was added through Intermediate Circular 659).

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

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

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

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

- Intermediate Circular 648 issued on 1 November 2022 (amending Basic Circulars 14 and 67) reduced by 50% the interest rates served on foreign currencies placements with BdL and on certificates of deposit issued by BdL while continuing to pay 50% of coupon payment in the instrument's currency and 50% in LBP at official rate (LBP 1,507.5 to the US Dollar until 31 January 2023 and LBP 15,000 to the US Dollar afterwards).

- Intermediate Circular 649 issued on 24 November 2022 (amending Basic Circulars 44 and 143) introduced a forbearance treatment in capital ratios computation by allowing the exclusion from Common Equity Tier 1 of a portion of losses incurred from FX purchases from BdL against LBP banknotes (66% and 33% respectively in 2022 and 2023).

- Intermediate Circular 659 issued on 20 January 2023 (amending Basic Circulars 32 and 44) states that banks should liquidate their short open FX positions as at 31 December 2022, gradually, on a period of 5 years. In addition, for the capital ratios computation, it capped the inclusion of revaluation of fixed assets at 50% in Common Equity Tier 1 under certain conditions while allowing the use of the prevailing "Sayrafa" rate at the end of each reporting period over 5 years.

- Intermediate Circular 661 issued on 31 January 2023 (amending Basic Circulars 23, 152 and 159) states that the exchange rate for repayment or loans was increased to LBP 15,000 to the US Dollar.

1.3. Particular Situation of the Group

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

	31 March 2023		31 December 2022	
	Year-end Rate LBP	Average Rate LBP	Year-end Rate LBP	Average Rate LBP
US Dollar	15,000	10,502.5	1507.5	1507.5
Euro	16,327.5	11,291.91	1,603.83	1,594.38
Swiss Franc	16,373.76	11,327.12	1,628.67	1,585.95
Turkish Lira	782.04	552.17	80.61	95.13
Saudi Riyal	3,996.00	2,789.25	401.09	401.52
Qatari Riyal	4,104.00	2,8874.85	412.56	412.17

The exchange rates above consist of the official exchange rates published by the Central Bank of Lebanon on a monthly basis. However, several exchange rates have emerged since the last quarter of 2019 that vary significantly among each other and from the official one: parallel exchange markets and the "Sayrafa" rate that are highly volatile, the Platform Rate, estimated exchange rates detailed in the government's Financial Recovery Plan, in addition to different exchange rates adopted for commercial transactions purposes in Lebanon.

- On 21 April 2020, the Central Bank of Lebanon issued Basic Circular 151 concerning depositors who wish to withdraw amounts of cash from their "local" foreign currencies accounts as per a specific rate up to limits set by their bank. The limits set by banks in Lebanon had monthly averages of USD 3,000 per bank account. The specific rate was USD 1/LBP 3,900 throughout the period from the issuance of the circular. During December 2021, it was increased to USD 1/LBP 8,000 and to USD 1/LBP 15,000 subsequent to year-end.

- On 10 May 2021, the Central Bank of Lebanon issued Basic Circular 157 setting the framework of exceptional measures for foreign-currency operations. Hence, banks operating in Lebanon must process customers' FX operations (buy and sell) related to their personal or commercial needs on the "Sayrafa" electronic platform. Transactions with customers encompass purchase and sale of foreign currencies banknotes against LBP, as well as operations from/to foreign currencies external accounts against LBP. "Sayrafa" corresponds to a floating system and the "Sayrafa" average rate and volume of foreign currency operations are published on the website of the Central Bank of Lebanon. Foreign currency operations were executed on the "Sayrafa" platform at the following exchange rates:

	Rate as at 31 March 2023	Average Rate for the Period as at 31 March 2023	Rate as at 31 December 2022	Average Rate for the Year Ended 31 December 2022
	LBP	LBP	LBP	LBP
US Dollar	90,000	52,850	38,000	26,146

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

- On 8 June 2021, the Central Bank of Lebanon issued Basic Circular 158 defining the mechanism for the gradual settlement of foreign currency deposits up to an amount equivalent to USD 50,000. To benefit from the provisions of the said circular, certain eligibility criteria must be met. Customers' monthly entitlements are (i) an amount of USD 400 in cash or equivalent (transfer abroad, credited to a payment card with international usage etc.) and (ii) an amount in LBP equivalent to USD 400 and converted at a USD/LBP rate of 12,000, noting that 50% of the amount will be paid in cash and 50% will be credited to a payment card.

- On 20 January 2023, and as a prelude to the change of the official rate effective 1 February 2023 from LBP 1,507.50 to LBP 15,000 to the US Dollar, the Central Bank of Lebanon issued Intermediate Circulars 657 and 658 amending rates used in Basic Circular 151 and Basic Circular 158 respectively from LBP 8,000 and LBP 12,000 to LBP 15,000.

Because of the gap between the several exchange rates available, the number of variables and assumptions affecting the possible future resolution of the uncertainties is very high, increasing the subjectivity and complexity of the judgment, and Management was unable to determine the rate at which the future cash flows represented by the transaction or balance could have been settled depending on its source and nature, if those cash flows had occurred at the measurement date. Accordingly, the Group uses the official published exchange rate above to translate all balances and transactions in foreign currencies, regardless of their source or nature which does not represent a reasonable estimate of expected cash flows in Lebanese Pounds that would have to be generated/used from the realisation of such assets or the payment of such liabilities at the date of the transaction or at the date of the consolidated financial statements. We are unable to estimate the effects on these consolidated financial statements.

In February 2023, the Central Bank of Lebanon changed the official published exchange rate from LBP 1,507.5 to LBP 15,000 to the US Dollar. "Sayrafa" rates and parallel market rates remained highly volatile and divergent from the new official published exchange rate (LBP 42,000 and LBP 58,200 respectively at 1 February 2023). The consolidated financial statements as at and for the year ended 31 December 2022 do not include adjustments from the change in this rate from LBP 1,507.5 to LBP 15,000 to the US Dollar.

The gap between the several exchange rates and the subjectivity and complexities surrounding exchange rates remained even after the change in the official published exchange rate, and Management believes that the future unification of the exchange rate of the LBP to the US Dollar will further have a significant impact on its financial position and regulatory ratios from the translation of assets and liabilities in foreign currencies at a different rate. However, due to the significant related uncertainties, Management is unable to provide an estimate for this impact. Foreign currency mismatch is detailed in Note 54 to these consolidated financial statements.

As at 31 March 2023, loss allowances on assets held at the Central Bank of Lebanon and the portfolio of Lebanese government securities held at amortised cost are recorded in these consolidated financial statements at the loss rates mentioned in the Central Bank of Lebanon's Intermediate Circular 567 and 649. Due to the high levels of uncertainty and to the lack of observable indicators and of visibility on the government's plans with respect to banks' exposure to the Central Bank of Lebanon and Lebanese sovereign, we are unable to estimate in a reasonable manner expected credit losses on these exposures. Accordingly, these consolidated financial statements do not include adjustments of the carrying amount of these assets to their recoverable amounts based on International Financial Reporting Standards and an expected credit loss model.

The impact is expected to be pervasive and will be reflected in the consolidated financial statements once the debt restructuring has been defined conclusively by the government and all uncertainties and constraints are resolved, and once the mechanism for allocating losses by asset class and currency is clear and conclusive.

As a result of the negative economic conditions and the deepening of the recession, the credit quality of the private loans portfolio concentrated in Lebanon has significantly deteriorated since the last quarter of 2019. The deterioration was further aggravated by the effects of the COVID-19 pandemic and the significant high inflation in Lebanon. Since the start of the Lebanese crisis, the Bank has been implementing a de-risking strategy by considerably reducing its assets size, specifically its portfolio of private loans concentrated in Lebanon. It has also set up a centralised and specialised remedial function to proactively review and manage the quality of its various portfolios. With all other variables held constant, Management believes that the significant devaluation of the Lebanese Pound (and de facto "local" US Dollars) and the triple digit inflation, reduced the risks of default compared to 31 December 2019. However, given the high level of uncertainties facing the Lebanese economy and the expected type of instruments underlying future cash flows on settlement of these private loans, loss allowances have been estimated based on the best available information at the reporting date about past events, current conditions and forecasts of economic conditions combined with expert judgment. Maximum exposures to the credit risk of the Group's portfolio of private loans and the recognised loss allowances, as well as their staging, are detailed in Note 24 to these consolidated financial statements.

The financial position of the Group, as reported in these consolidated financial statements, does not reflect the adjustments that would be required by IFRS as a result of the future government reform program, the deep recession, the currency crisis and the hyperinflation. Due to the high levels of uncertainties, the lack of observable indicators, the high gap between the parallel market rates, the "Sayrafa" rate and the official published exchange rate, and the lack of visibility on the government's plans with respect to: (a) the high exposures of banks with the Central Bank of Lebanon, (b) the Lebanese sovereign securities, and (c) the currency exchange mechanisms and currency exchange rates that will be applied, Management is unable to estimate in a reasonable manner the impact of these matters on its financial position. Management anticipates that the above matters will have a materially adverse impact on the Group's financial position and its equity.

Litigations and Claims

Until the above uncertainties are resolved, the Group is continuing its operations as performed since 17 October 2019 and in accordance with the laws and regulations. De facto capital controls and inability to transfer foreign currencies to correspondent banks outside Lebanon are exposing the Group to litigations that are dealt with on a case by case basis when they occur. The Group has been subject to increased litigations as a result of these restrictive measures adopted by Lebanese banks in relation to withdrawal of funds and transfers abroad, as well as in relation to the repayment by customers of local foreign currency loans in Lebanese Pounds. Management is carefully considering the impact of these litigations and claims. There are still uncertainties related to the consequences of these restrictive measures based on the current available information and the prevailing laws and local banking practices. Management believes that a legislative solution is urgently needed, through the enactment of laws that are appropriate for the adjudication of the unconventional legal disputes arising under the current exceptional circumstances. Due to recent developments and the increasing trend in judgments ruled in favour of the plaintiffs and customers during 2021 and 2022, Management considers that they may affect negatively the offshore liquidity of the Group, its foreign assets and its foreign currency exposure (refer to Note 54). The amount cannot be determined presently.

Measures by the Bank

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

On 1 October 2020, the Bank received a letter from the Central Bank of Lebanon, referring to Basic Circular 154 and Intermediate Circular 567, and requesting the Bank to submit a roadmap that sets out the following:

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

The roadmap was submitted to the Central Bank of Lebanon on 18 February 2021, including a number of assumptions that remain highly susceptible to material change depending on the evolution of the financial, monetary and operating conditions in Lebanon. Hence, a definitive reasonable and credible roadmap can only be achieved once the many material uncertainties still governing the outlook in Lebanon are resolved and the amount of recapitalisation needs is accurately determinable.

Once the above uncertainties are resolved, a pro-forma balance sheet of the Bank will be prepared which will include the effects of the revaluation of the assets and liabilities in foreign currencies, the effects of the hyperinflation, the effects of the government's restructuring of debt securities, the effects of the restructuring of the Central Bank of Lebanon balance-sheet and the effects on its private loan portfolio.

The Bank's key strategic objectives during this challenging period focused on the consolidation and de-risking of the domestic franchise and operations, and the ring-fencing of foreign entities and branches from Lebanon's spillover effects.

In practise, Management has adopted a new strategic direction focusing on six main pillars to face the current financial and economic environment. These pillars are:

1. **Asset Quality:** reduce the risk profile of the Group through the management of the Group's portfolio of assets by (1) sustaining the loan deleveraging policy, (2) maintaining higher loss allowances coverage, (3) closely monitoring the lending portfolios while taking early remedial actions on problematic files, and (4) smoothly reducing sovereign debt exposure, especially in foreign currency.

2. **Quality of Earnings:** efforts to attract low cost and stable funding while maintaining relationships with good profile obligors with consistent and recurring returns and ancillary revenues. End result is for foreign entities to continue to provide the Group with diversified income generation capacity. Continuous rationalisation of operating expenses targeting a lean organisational structure, improving operational efficiency and reducing cost structure to adapt to the changing operating environment and the level of revenue streams of the Group.

3. **Liquidity and ALM:** create a liquidity buffer in anticipation of turbulences.

4. **Solvency:** maintain sufficient capital buffers over the minimum regulatory capital adequacy levels (calculated in accordance with the rules established by the Central Bank of Lebanon).

5. **Operational and Other Non-financial Risks:** management of operational, compliance, legal, conduct, cyber, strategic and third-party risks while constantly updating business continuity plans to adapt to disruptions in business activities due to new occurring risks and changes.

6. **Governance:** strict adherence to the internal and regulatory Governance principles, with a particular focus on the control and risk-based oversight role of the Board of Directors to adapt to the particular requirements of the current challenging environment while mobilising the Bank's executive, control, and oversight committees for the continued effectiveness of the control framework. Maintaining abidance by CSR principles to ensure sustainability of the Group, taking into account the economic, social and environmental parameters of our operations in Lebanon and abroad.

The Bank has so far implemented a series of measures in relation to these key strategic objectives and pillars, including:

- Sale of the Bank's Egyptian subsidiary, as well as its Jordanian and Iraqi operations.

- In accordance with Central Bank of Lebanon Intermediary Circular 567, banks are required to increase their own funds (equity) by an amount equal to 20% of their Common Equity Tier 1 capital as of 31 December 2018, through issuing new foreign currency capital instruments. The amount of increase required for the Bank is USD 622 million. On 18 February 2021, the Bank submitted to the regulators the measures taken in this respect which entail:

- Issuance of common shares for USD 209 million.
- Dividends distributed by foreign entities of USD 110 million of which USD 30 million in fresh dollars.
- Positive impact on the Bank's and Lebanon branches standalone equity, from the sale of the Bank's Egyptian subsidiary, investment in Bank Audi Syria and Jordanian and Iraqi operations up to USD 318 million of which USD 304 million in "fresh" dollars.

The Bank obtained the regulators' formal approval on 7 May 2021 on the aforementioned measures.

- The Bank submitted to the regulators a calculation for meeting the regulatory requirement of 3% liquidity ratio with foreign banks in accordance with Central Bank of Lebanon Basic Circular 154.
- Re-establishing normal banking services with the active promotion of the "External Account" platform.
- Improving operational efficiency and strengthening governance by:
- Building up on the synergies achieved from the merger of both Audi Private Bank sal and Audi Investment Bank sal under Bank Audi sal.
- Implementing a cost optimisation plan.

- Significantly reducing its net positions in foreign currencies from a short position to a long position in view managing risks from fluctuation of exchange rates and the significant devaluation of the LBP, on its income statement and equity. The reduction of the net open position was achieved through purchases of local foreign currencies from customers during 2022 and 2021 resulting in booked losses in other comprehensive income of LBP 2,223,636 million in 2022. Net foreign exchange positions that would have an effect on the Group's income statement and equity are disclosed in Note 25 to these consolidated financial statements.

All of these measures have helped strengthen the Group's financial position, including international liquidity and solvency metrics. However, as at 31 March 2023, consolidated capital adequacy ratios stood at 6.13%, 6.50% and 7.81% for CET1, Tier 1 and Total CAR respectively, versus the minimum regulatory levels of 6.00%, 7.50% and 9.50% applicable in 2023 (including a capital conservation buffer of 1.50%). Despite the forbearance measures and temporary reliefs introduced by the Central Bank of Lebanon's circulars, capital ratios have nonetheless dropped from 6.33%, 8.86% and 9.81% for CET1, Tier 1 and Total CAR respectively as at 31 December 2022 (including a conservation buffer of 0.75%). Additional negative impact is anticipated from the application of the new official exchange rate of LBP 15,000 to the US Dollar effective 1 February 2023, upon translation of FCY-denominated risk-weighted assets.

The Bank is also uncertain whether the measures set out in its roadmap above would be sufficient to cover all its commitments as they become due and restore the activities of the Bank to normal pre-crisis levels. Such sufficiency and a reasonable and credible plan can only be achieved once the uncertainties from the prevailing crisis, the multitude of exchange rates, hyperinflation, as well as the implementation of a clear national fiscal and economic recovery plan are resolved.

The Lebanese Crisis which was set off during the last quarter of 2019 has imposed severe limitations on the ability to conduct Commercial Banking activities or transactions under the normal course of business in Lebanon. Market embedded factors, such as de facto capital controls, inability to secure foreign liquidity and the existence of several values for the US Dollar, resulted into several practices and transactions that would not qualify as normal course of business in a non-crisis environment, and for which there are no directly observable prices or a governing legal/regulatory framework. Such practices and transactions expose the Bank to increased litigation and regulatory risks, and negatively impact the financial position of the Bank, its regulatory ratios and covenants due the adverse effects of the uncertainties. There is a significant uncertainty in relation to the extent and period over which this situation will continue and the impact that conducting operations under a crisis environment in the foreseeable future will further have on the Group's financial position, future cash flows, results of operations, regulatory ratios and covenants. The Group's realisation value of assets and sufficiency and settlement value of liabilities are premised on future events, the outcome of which are inherently uncertain.

2.0. ACCOUNTING POLICIES

2.1. Basis of Preparation

The interim condensed consolidated financial statements of Bank Audi sal for the three-month period ended 31 March 2023 are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022. In addition, results for the three months ended 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

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

As of 31 March 2023 and 31 December 2022, all conditions have been met for the Group's financial statements to incorporate the inflation adjustment provided under IAS 29 "Financial Reporting in Hyperinflationary Economies". IFRS requires that financial statements of any entity whose functional currency is the currency of a hyperinflationary economy be restated into the current purchasing power at the end of the reporting period. Paragraph 4 of IAS 29 states that it is preferable for all entities that report in the currency of a hyperinflationary economy to apply the standard at the same date. In order to achieve uniformity as to the identification of an economic environment of this kind, IAS 29 provides certain guidelines: a cumulative three-year inflation rate exceeding 100% is a strong indicator of hyperinflation, but also qualitative factors, such as analysing the behaviour of population, prices, interest rates and wages should also be considered.

The Lebanese Central Administration of Statistics reported 3-year and 3-month cumulative rates of inflation of 1,206% and 81%, respectively, as at 31 March 2023 (31 December 2022: 1,670% and 122%). Qualitative indicators, following the deteriorating economic condition and currency controls, also support the conclusion that Lebanon is a hyperinflationary economy for accounting purposes for periods ending on or after 31 December 2020. As of March 2022, and based on the inflation data published by the Turkey Statistical Institute on 4 April 2022, the three-year cumulative increase in the Consumer Price Index was 109.4%. Accordingly, the Turkish economy was defined as an hyperinflationary economy, and consequently IAS 29 should be implemented on the financial statements of the Group's subsidiary in Turkey starting for periods ending on or after 30 June 2022.
Therefore, entities whose functional currency is the Lebanese Pound or Turkish Lira should restate their financial statements to reflect the effects of inflation in conformity with IAS 29. Such restatement shall be made as if the Lebanese economy has always been hyperinflationary; using a general price index that reflects the changes in the currency's purchasing power.

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

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

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

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

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

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

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

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

As of the date of the accompanying financial statements, for the reasons described below, Management is temporarily unable to apply the above mentioned standard, nor is it able to quantify the effect that the application of IAS 29 would have on the presented financial statements. However, Management estimates such effects to be significant. This situation must be taken into account when interpreting the information reported by the Group in the accompanying financial statements including its statement of financial position, income statement, statement of comprehensive income and cash flow statement.

The Group uses the official exchange rate of LBP 15,000/USD 1 to translate balance and transactions in foreign currencies. Since the emergence of the parallel market and since the introduction by the Central Bank of Lebanon of the "Sayrafa" rate and "platform rate", the Lebanese market has witnessed multiple pricing and valuations of balances receivable and payable and operations in foreign currencies, depending on the settlement method which is based on unofficial markets. The Group is translating balances (assets and liabilities) and transactions in foreign currencies at the official published exchange rate (as disclosed in Note 1, which does not represent a reasonable estimate of expected cash flows in Lebanese Pounds that would have to be generated/used from the realisation of such assets or the payment of such liabilities at the date of the transaction or of the financial statements.

In addition, IAS 29 requires the use of a general price index to reflect changes in purchasing power. Most governments issue periodic price indices that vary in their scope, but all entities that report in the currency of the same economy should use the same index. The consumer price index is normally closest to the concept of the general price index required by IAS 29 because it is at the end of the supply chain and reflects the impact of prices on the general population's consumption basket. The weights allocated for the calculation of the consumer price index impact the consumer price index and might need to be revisited based on the new behaviour of the population as a result of the crisis Lebanon is facing.

Such matters impede a proper application of IAS 29 as any application under the current circumstances would not provide more relevant financial statements to Management, shareholders and other users.

The Group is currently assessing the date at which it will apply IAS 29. The application of IAS 29 is very complex and requires the Group to develop new accounting software and processes, internal controls and governance framework. Based on the Group's preliminary assessment, the absence of an official legal payment and settlement mechanism that would reflect in a reasonable manner, the expected cash flows for assets and liabilities in foreign currencies, and the absence of an accurate reflection of price changes impede the useful information that would have been otherwise produced from the application of IAS 29. Accordingly, the Group has postponed the application of IAS 29 and incurring costs for developing accounting processes and a governance framework until the Group is comfortable that such application would provide the users with more relevant information.

2.2. New Standards, Interpretations and Amendments Adopted by the Group

The Group applied, for the first time, certain amendments to the standards which are effective for annual periods beginning on or after 1 January 2022. The nature and impact of each amendment is described below:

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments did not have a material impact on the Group.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendments did not have a material impact on the Group.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 – Making Materiality Judgments, in which it provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim at helping entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant' accounting policies" with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The amendments did not have a material impact on the Group.

Other new and amended standards that did not have a material impact on the Group:

- Reference to the Conceptual Framework – Amendments to IFRS 3.
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases.

2.3. Basis of Consolidation

The accompanying interim condensed consolidated financial statements comprise the financial statements of Bank Audi sal and the following key subsidiaries:

	Percentage of Ownership		Country of Incorporation	Principal Activity	Functional Currency
	31 March 2023	31 December 2022			
Bank Audi (France) sa	100.00	100.00	France	Banking (Commercial)	EUR
Banque Audi (Suisse) SA	100.00	100.00	Switzerland	Banking (Private)	CHF
Audi Capital (KSA)	99.99	99.99	Saudi Arabia	Financial Services	SAR
Bank Audi LLC (Qatar)	100.00	100.00	Qatar	Banking Services	QAR
SocieteLibanaise de Factoring sal	100.00	100.00	Lebanon	Factoring	LBP
Odea Bank A.Ş.	76.42	76.42	Turkey	Banking (Commercial)	TRY
Audi Investments Holding sal	100.00	100.00	Lebanon	Investment	USD

The interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries where the Bank holds control over the subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control and continued to be consolidated until the date when such control ceases.

The financial statements of subsidiaries are prepared for the same reporting period using consistent accounting policies. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests (the interest not owned by the Group in the equity of subsidiaries) are stated separately within shareholders' equity in the interim condensed consolidated statement of financial position.

2.4. Significant Accounting Judgments and Estimates

In the application of the accounting policies described in Notes 2.1. to 2.2. above, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The estimates and underlying assumptions made by the Group's Management for the preparation of the condensed interim consolidated financial information are consistent with those used in the preparation of the consolidated financial statements as at and for the year ended 31 December 2022.

2.5. Correction Related to Prior Years

Management decided to write down any excess of assets with the Central Bank of Lebanon to their nominal amount, and to write off all previously recorded receivables from Central Bank of Lebanon under leverage arrangements by an adjustment to retained earnings as at 1 January 2022 as follows:

	LBP Million
Impact on equity (decrease)	
Cash and balances with Central Bank of Lebanon	(85,711)
Other assets	(1,309,375)
Net impact on equity	(1,395,086)

3.0. Segment Reporting

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segments are evaluated based on information relating to net operating income and financial position. Income taxes and operating expenses are managed on a group basis and are not allocated to operating segments.

Interest income is reported net, since Management monitors net interest income as a performance measure and not the gross income and expense amounts. Net interest income is allocated to the business segment based on the assumption that all positions are funded or invested via a central funding unit. An internal Funds Transfer Pricing (FTP) mechanism was implemented between operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The assets and liabilities that are reported in the segments are net from inter-segments' assets and liabilities since they constitute the basis of Management's measures of the segments' assets and liabilities and the basis of the allocation of resources between segments.

Business Segments

The Group operates in four main business segments which are Corporate and Commercial Banking, Retail and Personal Banking, Treasury and Capital Markets, and Group Functions and Head Office.

Corporate and Commercial Banking

Provides diverse products and services to the corporate and commercial customers including loans, deposits, trade finance, as well as all regular Corporate and Commercial Banking activities.

Retail and Personal Banking

Provides individual customers' deposits and consumer loans, overdrafts, credit cards, and funds transfer facilities, as well as all regular Retail and Private Banking activities.

Treasury and Capital Markets

Provides Treasury services including transactions in money and capital markets for the Group's customers, manages investment and trading transactions (locally and internationally), and manages liquidity, foreign currencies, and market risks. This segment also offers Investment Banking and brokerage services, and manages the Group's own portfolio of stocks, bonds, and other financial instruments.

Group Functions and Head Office

Consists of capital and strategic investments, exceptional profits and losses, as well as operating results of subsidiaries which offer non-banking services.

The following tables present net operating income information and financial position information.

Net Operating Income Information

	Unaudited 31 March 2023				
	Corporate and Commercial Banking LBP Million	Retail and Personal Banking LBP Million	Treasury and Capital Markets LBP Million	Group Functions and Head Office LBP Million	**Total LBP Million**
Net interest income	326,900	435,097	541,228	55,594	1,358,819
Non-interest income					
Net fee and commission income	205,024	168,702	11,316	(17,013)	368,029
Financial operations	7,054	33,226	185,015	(84,662)	140,633
Other operating income	393	5,249	87	95,301	101,030
Total non-interest income	212,471	207,177	196,418	(6,374)	609,692
Total operating income	**539,371**	**642,274**	**737,646**	**49,220**	**1,968,511**
Net impairment loss on financial assets	(45,819)	1,241	(76,162)	-	(120,740)
Net operating income	**493,552**	**643,515**	**661,484**	**49,220**	**1,847,771**

	31 March 2022 (Unaudited)				
	Corporate and Commercial Banking LBP Million	Retail and Personal Banking LBP Million	Treasury and Capital Markets LBP Million	Group Functions and Head Office LBP Million	Total LBP Million
Net interest income	71,401	122,609	204,581	4,421	403,012
Non-interest income					
Net fee and commission income	35,153	36,194	(40,680)	4,288	34,955
Financial operations	-	7,725	143,725	(71,072)	80,378
Other operating income	24	1,318	4	6,809	8,155
Total non-interest income	35,177	45,237	103,049	(59,975)	123,488
Total operating income	106,578	167,846	307,630	(55,554)	526,500
Net impairment loss on financial assets	(146,684)	(864)	(6,182)	-	(153,730)
Net operating income	(40,106)	166,982	301,448	(55,554)	372,770

Financial Position Information

	31 March 2023 (Unaudited)				
	Corporate and Commercial Banking LBP Million	Retail and Personal Banking LBP Million	Treasury and Capital Markets LBP Million	Group Functions and Head Office LBP Million	**Total LBP Million**
Investments in associates	-	-	-	183,993	183,993
Total assets	35,126,628	23,906,989	207,219,296	11,394,764	277,647,677
Total liabilities	28,248,672	206,345,673	15,902,913	6,626,790	257,124,048

	31 December 2022 (Audited)				
	Corporate and Commercial Banking LBP Million	Retail and Personal Banking LBP Million	Treasury and Capital Markets LBP Million	Group Functions and Head Office LBP Million	Total LBP Million
Investments in associates	-	-	-	14,359	14,359
Total assets	4,774,534	2,901,567	24,749,387	8,165,463	40,590,951
Total liabilities	4,856,224	24,386,881	4,126,942	1,165,562	34,535,609

Capital expenditures amounting to LBP 32,544 million at 31 March 2023 (31 December 2022: LBP 58,115 million) are allocated to the Group Functions and Head Office business segment.

Interest and similar income from exposure to the Central Bank of Lebanon and Lebanese sovereign amounted to LBP 771,158 million for the period ended 31 March 2023 (31 March 2022: LBP 589,723 million) arising from time deposits with the Central Bank of Lebanon and financial instruments held by the Group.

The breakdown of interest and similar income from exposure to the Central Bank of Lebanon and Lebanese sovereign is as follows:

	Unaudited 31 March 2023 LBP Million	Unaudited 31 March 2022 LBP Million
Interest and similar income		
Central Bank of Lebanon	737,584	498,956
Lebanese sovereign	33,574	90,767
	771,158	589,723

Geographical Segments

The Group operates in three geographical segments: Lebanon, Middle East and North Africa, and Turkey (MENAT) and Europe. As such, it is subject to different risks and returns. The following tables show the distribution of the Group's net external operating income, assets and liabilities allocated based on the location of the subsidiaries reporting the results or advancing the funds. Transactions between segments are carried at market prices and within pure trading conditions.

Net Operating Income Information

	31 March 2023 (Unaudited)			
	Lebanon LBP Million	MENAT LBP Million	Europe LBP Million	**Total LBP Million**
Net interest income	824,814	357,150	176,855	1,358,819
Non-interest income				
Net fee and commission income	203,015	76,097	88,917	368,029
Financial operations	120,528	2,978	17,127	140,633
Other operating income	4,582	94,897	1,551	101,030
Total non-interest income	328,125	173,972	107,595	609,692
Total external operating income	**1,152,939**	**531,122**	**284,450**	**1,968,511**
Net impairment loss on financial assets	(80,249)	(15,794)	(24,697)	(120,740)
Net external operating income	**1,072,690**	**515,328**	**259,753**	**1,847,771**

	31 March 2022 (Unaudited)			
	Lebanon LBP Million	MENAT LBP Million	Europe LBP Million	Total LBP Million
Net interest income	363,176	33,531	6,305	403,012
Non-interest income				
Net fee and commission income	11,160	7,065	16,730	34,955
Financial operations	38,472	33,424	8,482	80,378
Other operating income	2,115	5,014	1,026	8,155
Total non-interest income	51,747	45,503	26,238	123,488
Total external operating income	414,923	79,034	32,543	526,500
Net impairment loss on financial assets	(141,290)	(11,462)	(978)	(153,730)
Net external operating income	273,633	67,572	31,565	372,770

Financial Position Information

	31 March 2023 (Unaudited)			
	Lebanon LBP Million	MENAT LBP Million	Europe LBP Million	**Total LBP Million**
Capital expenditures	-	29,694	2,850	32,544
Investments in associates	183,993	-	-	183,993
Total assets	187,341,712	53,277,543	37,028,422	277,647,677
Total liabilities	177,578,517	48,103,505	31,442,026	257,124,048

	31 December 2022 (Audited)			
	Lebanon LBP Million	MENAT LBP Million	Europe LBP Million	Total LBP Million
Capital expenditures	21,813	34,392	1,910	58,115
Investments in associates	14,359	-	-	14,359
Total assets	30,900,567	5,757,034	3,933,350	40,590,951
Total liabilities	26,053,997	5,181,591	3,300,021	34,535,609

4.0. Fee and Commission Expense

	Unaudited 31 March 2023 LBP Million	Unaudited 31 March 2022 LBP Million
Commission for LBP banknotes(*)	-	43,304
Electronic Banking	13,591	4,476
Brokerage and custody fees	24,384	2,019
Commercial Banking expenses	33,880	880
Other fees and commissions	2,222	1,865
	74,077	52,544

(*) In order to service customers' need in LBP-denominated banknotes during periods of shortage, during the three-month period ended 31 March 2022, the Bank paid a premium for the supply of LBP-denominated banknotes amounting to LBP 43,304 million recorded under commission expense.

5.0. Net Trading Income

	Unaudited 31 March 2023 LBP Million	Unaudited 31 March 2022 LBP Million
Gain on financial instruments at fair value through profit or loss	33,720	34,340
Foreign exchange	276,678	37,092
Derivatives	(248,756)	9,656
Dividends	104	18
	61,748	(13,414)

Foreign exchange includes gains and losses from spot and forward contracts and other currency derivatives, as well as the result of the revaluation of the daily open foreign currency positions.

Interest income from debt instruments at fair value through profit or loss amounted to LBP 2,528 million during the three-month period ended 31 March 2023 (31 March 2022: LBP 2,233 million).

(*) During the three-month period ended 31 March 2023, and in order to manage its FX position, the Group engaged in the following transactions:
- During 2021, the Bank purchased from its customers local foreign currencies at rates below the rate specified in Basic Circular 151 which resulted in a loss of LBP 94,520 million recorded in the statement of comprehensive income (loss).

6.0. Net Impairment Loss on Financial Assets

	Unaudited 31 March 2023 LBP Million	Unaudited 31 March 2022 LBP Million
Re-measurements:		
Cash and balances with central banks	(2,046)	77
Banks and financial institutions	-	(503)
Loans and advances to customers at amortised cost	280,719	188,218
Financial assets at amortised cost	80,828	5,639
Financial guarantees and other commitments	(93,994)	1,003
	265,507	194,434
Recoveries:		
Loans and advances to customers at amortised cost	(25,686)	(39,198)
	(25,686)	(39,198)
Net direct recoveries	(119,081)	(1,506)
	120,740	153,730

7.0. Derivative Financial Instruments

The Group enters into derivatives for trading and for risk management purposes. The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the quantity of the derivative contracts' underlying instrument (being an equity instrument, commodity product, reference rate or index, etc.). Notional amounts indicate the volume of transactions outstanding at year-end and are not indicative of either the market risk or credit risk.

Forwards and Futures

Forwards and future contracts are contractual agreements to buy and sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Future contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements.

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or to sell a specific amount of financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in specified underlying index such as an interest rate, foreign currency rate, commodity index or equity index.

Interest rate swaps relate to contracts taken out by the Group with other counterparties (customers and financial institutions) in which the Group either receives or pay a floating rate of interest, respectively, in return for paying or receiving a fixed rate of interest. The payment flows are usually netted against each other, with difference being paid by one party to the other.

In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

The Group has positions in the following type of derivatives:

31 March 2023 (Unaudited)	Positive Fair Value LBP Million	Negative Fair Value LBP Million	Notional Amount LBP Million
Derivatives held for trading			
Forward foreign exchange contracts	90,049	73,569	3,294,701
Forward precious metals contracts	21	1,764	321,947
Currency swaps	62,719	16,362	10,061,460
Precious metals swaps	-	11,266	334,275
Currency options	117,909	136,979	15,833,782
Interest rate swaps	243,275	269,314	2,398,088
Credit derivatives	-	-	164,237
Equity options	59,473	59,473	148,796
	573,446	568,727	32,557,286
Derivatives held as fair value hedge			
Interest rate swaps	11,937	-	527,877
	11,937	-	527,877
Total	585,383	568,727	33,085,163

31 December 2022 (Audited)	Positive Fair Value LBP Million	Negative Fair Value LBP Million	Notional Amount LBP Million
Derivatives held for trading			
Forward foreign exchange contracts	7,898	5,945	424,742
Forward precious metals contracts	3	18	14,851
Currency swaps	25,741	16,094	2,237,541
Precious metals swaps	56	1,163	72,580
Currency options	18,793	10,972	2,052,441
Interest rate swaps	60,156	13,038	1,193,420
Credit derivatives	-	-	16,506
Equity options	6,496	6,496	14,800
	119,143	53,726	6,026,881
Derivatives held as fair value hedge			
Interest rate swaps	-	834	70,534
	-	834	70,534
Total	119,143	54,560	6,097,415

Derivative Financial Instruments Held for Trading Purposes

Most of the Group's derivative trading activities relate to deals with customers which are normally offset by transactions with other counterparties. Also included under this heading are any derivatives entered into for risk management purposes which do not meet the IFRS 9 hedge accounting criteria.

Derivative Financial Instruments Held for Hedging Purposes

The Group uses derivatives for hedging purposes in order to reduce its exposure to credit risk and market risks. This is achieved by hedging specific financial instruments, portfolio of fixed rate financial instruments and forecast transaction, as well as strategic hedging against overall financial position exposures.

8.0. Financial Assets at Fair Value Through Profit or Loss

	Unaudited 31 March 2023 LBP Million	Audited 31 December 2022 LBP Million
Lebanese sovereign and Central Bank of Lebanon		
Eurobonds	174,059	16,168
Other sovereign		
Treasury bills and bonds	156,870	967
Private sector and other securities		
Banks and financial institutions	1,681,969	199,805
Mutual funds	378,346	37,719
Equity instruments	22,688	2,086
		239,610
	2,413,932	256,745

9.0. Loans and Advances to Customers at Amortised Cost

	Unaudited 31 March 2023 LBP Million	Audited 31 December 2022 LBP Million
Corporate and SME	36,206,669	4,840,238
Retail and Personal Banking	13,434,028	1,870,506
Public sector	467,772	51,088
	50,108,469	6,761,832
Less: allowance for expected credit losses (Note 24)	(7,144,702)	(890,712)
	42,963,767	5,871,120

10. Financial Assets at Amortised Cost

	Unaudited 31 March 2023 LBP Million	Audited 31 December 2022 LBP Million
Lebanese sovereign and Central Bank of Lebanon		
Certificates of deposit	34,110,097	3,478,796
Treasury bills	2,061,624	2,049,587
Eurobonds	2,641,476	260,431
	38,813,197	5,788,814
Other sovereign		
Treasury bills	6,267,998	707,734
Eurobonds	1,252,778	125,626
Other governmental securities	937,016	53,584
	8,457,792	886,944
Private sector and other securities		
Banks and financial institutions debt instruments	3,725,145	398,394
Corporate debt instruments	1,379,203	137,088
	5,104,348	535,482
	52,375,337	7,211,240
Less: allowance for expected credit losses (Note 24)	(1,709,839)	(155,784)
	50,665,498	7,055,456

During 2019, the Bank and the Central Bank of Lebanon signed a netting agreement for specified financial assets and liabilities that qualifies for netting under the requirements of IAS 32. Accordingly, as at 31 March 2023, certificates of deposit amounting to LBP 2,638,000 million (31 December 2022: the same) and term borrowings from the Central Bank of Lebanon are reported on a net basis on the statement of financial position. At 31 March 2023, Lebanese Treasury bills of LBP 1,979,141 million were pledged against term borrowings from the Central Bank of Lebanon (31 December 2022: the same) (Notes 13 and 14). In addition, the Group, in agreement with credit-linked depositors, settled deposits amounting to LBP 6,753,652 million in certificates of deposit with the Central Bank of Lebanon denominated in US Dollars having the same nominal amount as at 31 March 2023 (31 December 2022: LBP 452,617 million) (Notes 12).

11. Financial Assets at Fair Value Through Other Comprehensive Income

	Unaudited 31 March 2023 LBP Million	Audited 31 December 2022 LBP Million
Debt instruments		
Other sovereign		
Treasury bills and bonds	8,017,615	868,073
Private sector and other securities		
Banks and financial institutions debt instruments	296,893	31,513
	8,314,508	899,586
Equity instruments		
Quoted	896,938	87,331
Unquoted	255,490	44,924
	1,152,428	132,255
	9,466,936	1,031,841

12. Other Assets

	Unaudited 31 March 2023 LBP Million	Audited 31 December 2022 LBP Million
Advances on acquisition of property and equipment	17,527	17,369
Advances on acquisition of intangible assets	1,206	96
Prepaid charges	258,011	77,580
Electronic cards and regularisation accounts	47,180	3,845
Receivables related to non-banking operations	8,052	1,341
Advances to staff	9,584	8,212
Hospitalisation and medical care under collection	1,403	401
Interest and commissions receivable	5,351	265
Funds management fees	556	53
Fiscal stamps, bullions and commemorative coins	1,066	1,024
Management and advisory fees receivable	3,834	279
Tax regularisation account	90,645	10,518
Other debtor accounts	2,231,697	132,458
Foreign exchange position	309,249	409,017
	2,985,361	662,458

As at 31 March 2023, other debtors' accounts include an amount of LBP 1,075,999 million representing collateral under process of being repossessed against settlement of loans (31 December 2022: LBP 18,141 million).

Receivables from the Central Bank of Lebanon under Leverage Arrangements

Receivables from the Central Bank of Lebanon under leverage arrangements amounting to LBP 1,279,783 million as at 31 December 2021 were written off by an adjustment to accumulated losses in equity at 1 January 2022 as disclosed in Note 2.5. These were recorded in prior years against the following transactions:

On 27 September 2021, a debtor exercised a right granted in prior years, to set-off the outstanding loan balance against revenues deposited or to be deposited in its account consisting of an assigned share of cash flows from leverage arrangements entered into by the Group with the Central Bank of Lebanon. At the date of the exercise, the loan facility amounted to LBP 131,974 million and was offset against the transfer of the underlying present value of the debtor's share of the expected future cash flows from leverage arrangements, which was recorded as "receivables from the Central Bank of Lebanon under leverage arrangements" under other assets. Remaining balance related to this transaction amounted to LBP 118,678 million as at 31 December 2021 and was written off against an adjustment in accumulated losses in equity on 1 January 2022.

During 2018, the Group entered into leverage arrangements with the Central Bank of Lebanon against simultaneous time deposits with the latter denominated in US Dollars. During 2020, time deposits were derecognised for the acquisition of certificates of deposit. In agreement with the credit-linked depositors, the Group settled deposits amounting to LBP 439,402 million in such certificates of deposit having the same nominal amount as at 31 December 2021 (Note 33). As a result, the Group recognised the present value of future cash flows from the corresponding leverage arrangements as "receivables from the Central Bank of Lebanon under leverage arrangements" against net trading (loss) gain. Remaining balance related to this transaction amounted to LBP 209,666 million as at 31 December 2021 and was written off against an adjustment in accumulated losses in equity on 1 January 2022.

During 2018, the Group entered into leverage arrangements with the Central Bank of Lebanon against a simultaneous purchase of Lebanese government Eurobonds that were recorded at amortised cost. During 2019, the amortised cost was adjusted by an amount equivalent to the present value of expected future cash flows from leverage arrangements and recorded as "receivables from the Central Bank of Lebanon under leverage arrangements". These financial instruments were mostly liquidated during 2020 at a price approximating their adjusted carrying amount net of the allowances for expected credit losses at 31 December 2019. Remaining balance related to this transaction amounted to LBP 951,439 million as at 31 December 2021 and was written off against an adjustment in accumulated losses in equity on 1 January 2022..

Foreign Exchange Position

Foreign exchange position as at 31 March 2023 resulted mainly from the application of Basic Circulars 159 and 151 and Intermediate Circular 556 (31 December 2022: same).

Other Debtor Accounts

Other debtor accounts as at 31 December 2021 include an amount of LBP 29,592 million related to a claim from insurance company on the damage of the Beirut Port Explosion, which was written off against an adjustment to retained earnings on 1 January 2022 (refer to Note 2.5.).

13. Due to Central Banks

	Unaudited 31 March 2023 LBP Million	Audited 31 December 2022 LBP Million
Central Bank of Lebanon		
Subsidised loans	676,862	472,674
Term borrowings under leverage arrangements	1,979,141	1,979,141
Accrued interest	14,336	9,342
Other central banks		
Other borrowings	1,414	141
Repurchase agreements	929,536	272,669
	3,601,289	2,733,967

Subsidised Loans

As at 31 March 2023, subsidised loans consist of utilised amounts on facilities granted by the Central Bank of Lebanon for the purpose of lending to customers at subsidised rates in accordance with decision No. 6116 dated 7 March 1996. Principals are repayable on monthly basis and based on the amounts withdrawn by the customers (31 December 2022: the same).

Term Borrowings under Leverage Arrangements

Leverage arrangements with the Central Bank of Lebanon represent term borrowings denominated in LBP, bearing a 2% interest rate per annum and having maturities ranging between 2027 and 2028, fully invested in Lebanese Treasury bills, certificates of deposit with the Central Bank of Lebanon in LBP, and blocked term placements with the Central Bank of Lebanon in LBP earning coupon rates ranging between 6.5% per annum and 10.5%. Simultaneously, the Bank has either deposited term placements with the Central Bank of Lebanon in foreign currencies at 6.5% per annum and in LBP at 10.5% per annum (originated from the sale of foreign currencies to the Central Bank of Lebanon) carrying the same maturities; or purchased Lebanese government Eurobonds from the Central Bank of Lebanon. During 2019, the Bank and the Central Bank of Lebanon signed a netting agreement covering only leverage arrangements that were invested in blocked term placements and pledged certificates of deposit with the Central Bank of Lebanon in LBP. This agreement qualifies for netting under the requirements of IAS 32.

Following Intermediate Circular 648 issued on 1 November 2022, interest rate on term placements in local foreign currency decreased from 6.5% to 3.25%.

The below table summarises the leverage arrangements and related financial assets subject to offsetting, and enforceable similar agreements, and whether offset is achieved in the statement of financial position. The table identifies the amounts that have been offset in the statement of financial position and those amounts that are covered by enforceable netting arrangements (financial collateral) but do not qualify for netting under the requirements of IAS 32 described in the accounting policies:

	Unaudited 31 March 2023 LBP Million	Audited 31 December 2022 LBP Million
Leverage arrangements		
Gross amounts	10,060,141	10,060,141
Amounts offset against[1]		
Placements with the Central Bank of Lebanon	5,443,000	5,443,000
Certificates of deposit with the Central Bank of Lebanon (Note 10)	2,638,000	2,638,000
Net amounts reported on the statement of financial position	**1,979,141**	1,979,141
Financial collateral		
Lebanese Treasury bills (Note 10)	1,979,141	1,979,141
	1,979,141	1,979,141

[1] Represents amounts that can be offset under IAS 32. Placements with the Central Bank of Lebanon and certificates of deposit with the Central Bank of Lebanon have also been reported on the statement of financial position net of the amounts above.

Financial assets and financial liabilities that were settled on a net basis amounted to LBP 3,881,889 million as at 31 March 2023 (31 December 2022: same).

Repurchase Agreements

The Group sells government bonds subject to a commitment to repurchase them (repurchase agreement). The consideration received (or cash collateral provided) is accounted for as a financial liability reflecting the transaction's economic substance as a borrowing to the Group. As the Group retains substantially all the risks and rewards of ownership, the securities transferred are retained on statement of financial position under:

	Unaudited 31 March 2023 LBP Million	Audited 31 December 2022 LBP Million
Financial assets at amortised cost – Non-Lebanese government bonds	270,315	85,734
Financial assets at fair value through comprehensive income – Non-Lebanese government bonds	666,910	231,450

14. Customers' Deposits

	Unaudited 31 March 2023			
	Corporate and SME LBP Million	Retail and Personal Banking LBP Million	Public Sector LBP Million	**Total LBP Million**
Sight deposits	15,640,679	106,707,926	412,553	122,761,158
Time deposits	8,632,089	80,744,490	1,175,845	90,552,424
Saving accounts	2,008,754	15,653,080	-	17,661,834
Margins on LCs and LGs	509,262	89,265	-	598,527
Other margins	5,841	-	-	5,841
Other deposits	10,659	242,357	1,201	254,217
Bankers' drafts	-	1,544,675	-	1,544,675
	26,807,284	**204,981,79**	**1,589,599**	233,378,676
Deposits pledged as collateral				12,512,904

	Audited 31 December 2022			
	Corporate and SME LBP Million	Retail and Personal Banking LBP Million	Public Sector LBP Million	Total LBP Million
Sight deposits	2,763,251	12,540,559	99,416	15,403,226
Time deposits	1,008,756	9,317,593	656,190	10,982,539
Saving accounts	212,471	1,654,427	-	1,866,898
Margins on LCs and LGs	59,555	8,422	-	67,977
Other margins	585	-	-	585
Other deposits	4,085	80,495	-	84,580
Bankers' drafts	-	695,133	-	695,133
	4,048,703	24,296,629	755,606	29,100,938
Deposits pledged as collateral				1,263,275

Sight deposits include balances of bullion amounting to LBP 1,366,434 million (31 December 2022: LBP 145,711 million) which were carried at fair value through profit or loss.

Time deposits include balances amounting to LBP 164,237 million as at 31 March 2023 (31 December 2022: LBP 16,506 million), whereby the principal is settled at maturity according to the full discretion of the Group either in cash or in Lebanese government Eurobonds. As at 31 March 2023, in agreement with such depositors, the Bank settled deposits amounting to LBP 6,753,652 million in certificates of deposit with the Central Bank of Lebanon denominated in US Dollars and having the same nominal amount (31 December 2022: LBP 452,617 million) (Notes 10 and 12).

Bankers' drafts as at 31 March 2023 and 31 December 2022 consist of checks paid to depositors that have not yet been withdrawn from the Central Bank of Lebanon or other Lebanese banks.

15. Debt Issued and other Borrowed Funds

	Unaudited 31 March 2023 LBP Million	Audited 31 December 2022 LBP Million
USD 116,560,000 due 19 April 2027 – 5.00%	1,601,868	160,257
USD 112,500,000 due 11 April 2024 – 6.55% + Libor 6m	1,687,502	169,594
USD 37,500,000 due 11 April 2024 – 6.55% + Libor 6m	562,498	56,531
USD 276,000,000 due 1 August 2027 – 7.625%	4,131,579	415,028
Turkish bills	160,779	-
Accrued interests	191,529	22,033
	8,335,755	823,443

The principal of the loans is to be repaid at maturity. Any principal amount of the loans prepaid may not be re-borrowed. Prepayment on the loans is applicable as follows:

USD 116,560,000 Due 19 April 2027 – 5.00%

In September 2013, the Group issued USD 350 million of subordinated unsecured bonds. The repayment date for the bonds was 16 October 2023, subject to early redemption or acceleration. The bonds carried an annual interest rate of 6.75% payable on a quarterly basis. During 2019, the Group acquired notes with a notional amount of USD 3.3 million for a total consideration of USD 2.6 million, leaving an outstanding sub debt amount of approximately USD 347 million.

In its meeting held on 12 February 2021, the Ordinary General Assembly, pursuant to a recommendation of the Board of Directors, resolved to proceed with the issuance of new unsecured subordinated notes under Lebanese law, the 2022 subordinated notes, to be subscribed to, through the voluntary exchange of the existing subordinated notes.

On 21 October 2021, the Bank announced an invitation to holders of subordinated notes to exchange all of their existing notes for (i) an equivalent principal amount of new notes; and (ii) a cash amount (as defined below) upon the terms and subject to the conditions set forth in the exchange offer memorandum. Existing holders who do not submit an exchange instruction prior to the settlement deadline will have their existing notes cancelled in exchange for the issue of new notes. The noteholder meeting, set to be held on 2 December 2021, was not quorate and was hence adjourned to 20 January 2022. The latter meeting was also not quorate and was further adjourned to 28 February 2022, date at which the necessary quorum was reached (with 68.08% of the aggregate principal amount of the outstanding existing notes then outstanding being represented) and the resolution was duly passed (with 92.98% of the votes being cast in favour of the resolution).

On 15 July 2021, the Bank received the Central Bank of Lebanon's approval for the exchange offer. On 28 March 2022, the Bank received a letter from the Central Bank of Lebanon with the amended approval, passed by a decision of the Central Council of the Central Bank of Lebanon on 23 March 2022, to include certain items, including the inclusion of the put option, in the terms and conditions of the new notes.

On 30 March 2022, the Bank and the Trustee entered into the Supplemental Trust Deed in order to give effect to the resolution.

USD 116,560,000 Due 19 April 2027 – 5.00%	31 December 2022 LBP Million
Nominal value	175,715
Upfront interest	(15,458)
Net impact on equity	160,257

Notes issued on 19 April 2022 in exchange of previous notes issued in September 2013. The terms and conditions for the notes are as follows.
- Maturity date: 19 April 2027.
- Upfront interest payment of 10% payable on 19 April 2022, subject to 10% withholding tax.
- Interest payment of 5% p.a., subject to 10% withholding tax, which will start to accrue on 19 April 2022 and will be payable quarterly in arrears.
- Put option at the discretion of the noteholder who may choose to redeem the note at 90.5% of the principal amount. The settlement date of the put option is 19 May 2022.
- In connection to the exchange, a cash amount of USD 118.6875 per 1,000 in principal amount is payable, grossed up, on 19 April 2022.
- These notes are not eligible for integration in Tier 2 in the calculation of the capital adequacy ratio.
- Starting the first anniversary of the issue date (i.e. 19 April 2023) and after giving a redemption notice, the Bank has the option to redeem in whole but not in part the Notes, including accrued and unpaid interest, noting that the principal amount will be redeemed at 92% of face value. If early redemption is not exercised by the Bank, the redemption percentage will increase thereafter incrementally by 2% at each anniversary date.

On 11 May 2022, the General Assembly resolved to approve: i) granting of a put option in favour of the holders of the 2022 Subordinated Notes issued on 19 April 2022 pursuant to the resolution of the Ordinary General Assembly meeting held on 12 February 2021, and (ii) all other terms of the 2022 Subordinated Notes, as per the Board of Directors' proposal and recommendations.

As at 19 May 2022, holders of notes representing approximately USD 230 million had exercised the put option out of USD 347 million outstanding (66% of the total).

USD 112,500,000 Due 11 April 2024 – 6.55% + Libor 6m and USD 37,500,000 Due 11 April 2024 – 6.55% + Libor 6m

The principal amount of the loan (and any interest accrued but unpaid will rank (i) junior in right of payment to the claims of the holders of unsecured and unsubordinated payment obligations of the Bank; (ii) pari passu with the claims of holders of all other subordinated indebtedness of the Bank, and (iii) in priority to the claims of shareholders of the Bank, including in respect of cash contributions to capital. Following satisfaction of unsubordinated claims as aforesaid, the lender shall be entitled to receive and to retain any payment or distribution in respect of the loan and all other amounts outstanding on a pari passu basis with other subordinated indebtedness.

If on a particular interest payment date, the Group does not have free profits available to pay the full amount of accrued and unpaid interest then due in respect of the loan, the Group's obligation to pay such interest shall be deferred and become due and payable on the next interest payment date, to the extent of free profits then available, and if not then available, such deferral shall continue until the interest payment date when all interests have been paid in full on the final maturity date.

The Group determined that the matters disclosed in Note 1 will have an impact on the retained earnings and reserves leading to a need for recapitalisation, the amount of which has not been determined yet due to the high level of uncertainty resulting from these matters. This matter is under objection by the lender. However, the Group believes that it is in a strong position. As at 31 March 2023, deferred interest payable amounted to LBP 511,264 million and was recorded under "Other liabilities" (31 December 2022: LBP 51,382 million) (Note 16).

The Group shall, on any interest payment date or not less than 30 days' prior written notice, have the right to prepay the entire outstanding principal amount of the loan, in whole but not in part, together with accrued but unpaid interest thereon, and all other amounts payable, and subject to the approval of the Central Bank of Lebanon:
- In the event of a change in Lebanese law or regulation resulting in an increase in the withholding tax rate applicable to payments of interest on the loans to more than 5.00% above the rate in effect on the date of the disbursement. No penalty or premium shall be payable in connection with any prepayment following changes in taxation; or
- Subject to the payment of a premium of 2.00% of the outstanding principal amount of the loans to be prepaid, at the option of the Group, on any interest payment date at any time after the fifth anniversary of the date on which the loan is disbursed.

USD 276,000,000 Due 1 August 2027 – 7.625%

On 1 August 2017, Odea Bank A.Ş. issued subordinated unsecured notes in the amount of USD 300 million to third parties. These notes mature on 1 August 2027 and pay semi-annual interest of 7.625%. The notes are listed on the Main Securities Market of the Irish Stock Exchange. Odea Bank A.Ş. shall repay the notes at maturity and may repay the notes in whole, but not in part, (1) starting from the fifth anniversary of the subordinated debt issuance date, or (2) due to changes in BRSA regulation if the loan ceases to be treated as Tier 2 capital under the applicable BRSA regulation.

Turkish Bills

Odea Bank A.Ş issued bonds in TRY at discount maturing in May 2023 with effective interest rate of 26.22% (31 December 2022: nil).

Cash and Non-cash Changes in Debt Issued and Other Borrowed Funds

All changes in debt issued and other borrowed funds arise mainly from cash flows. Non-cash changes, such as foreign exchange gains and losses, were not significant during the period ended 31 March 2023 (31 December 2022: the same).

16. Other Liabilities

	Unaudited 31 March 2023 LBP Million	Audited 31 December 2022 LBP Million
Lease liabilities	252,449	25,697
Accrued expenses	360,188	68,732
Miscellaneous suppliers and other payables	140,641	20,261
Operational taxes	232,888	54,434
Employee accrued benefits	35,608	2,960
Electronic cards and regularisation accounts	55,150	37,517
Social security dues	31,109	9,372
Deferred interest payable (Note 15)	511,264	51,382
Other credit balances	829,976	135,466
	2,449,273	405,821

17. Provisions for Risks and Charges

	Unaudited 31 March 2023 LBP Million	Audited 31 December 2022 LBP Million
Provisions for risks and charges	1,276,498	279,340
Provisions for ECL on financial guarantees and commitments	89,321	26,886
End-of-service benefits	552,981	224,672
	1,918,800	530,898

18. Other Components of Equity

	Real Estate Revaluation Reserve LBP Million	Cumulative Changes in Fair Value LBP Million	Foreign Currency Translation Reserve LBP Million	Actuarial Loss on Defined Benefit Obligation LBP Million	Cash Flow Hedge Reserve LBP Million	Total LBP Million
	Unaudited 31 March 2023					
Balance at 1 January 2023	6,971,629	48,095	(1,464,160)	(144,004)	(3,504)	5,408,056
Other comprehensive income from continuing operations	218	931,918	2,960,452	(22,978)	(23,802)	3,845,808
Transfers between reserves	-	-	4,657	-	-	4,657
Balance at 31 March 2023	6,971,847	980,013	1,500,949	(166,982)	(27,306)	9,258,521

	Real Estate Revaluation Reserve LBP Million	Cumulative Changes in Fair Value LBP Million	Foreign Currency Translation Reserve LBP Million	Actuarial Loss on Defined Benefit Obligation LBP Million	Cash Flow Hedge Reserve LBP Million	Total LBP Million
	Unaudited 31 March 2022					
Balance at 1 January 2022	262,001	(5,584)	(1,359,027)	(76,633)	(2,044)	(1,181,287)
Other comprehensive income	244	71,850	(30,909)	77	(852)	40,410
Transfer between reserves	288	-	-	-	-	288
Balance at 31 March 2022	262,533	66,266	(1,389,936)	(76,556)	(2,896)	(1,140,589)

19. Cash and Cash Equivalents

	Unaudited 31 March 2023 LBP Million	Audited 31 December 2022 LBP Million	Unaudited 31 March 2022 LBP Million
Cash and balances with central banks	51,720,619	5,998,811	7,703,057
Due from banks and financial institutions	18,267,101	2,661,777	2,730,771
Loans to banks and financial institutions and reverse repurchase agreements	899,358	24,265	19,752
Due to central banks	(930,949)	(272,810)	(261,673)
Due to banks and financial institutions	(2,672,052)	(366,911)	(405,772)
Due to banks under repurchase agreement	(377,575)	(49,799)	(73,776)
	66,907,500	7,995,333	9,712,359

Cash and balances with central banks include amounts of LBP 23,757,085 million at 31 March 2023 (31 December 2022: LBP 3,421,449 million) representing mandatory reserve deposits and balances.

Cash and cash equivalents include balances that are subject to de facto capital controls and restricted transfers outside Lebanon. Accordingly, these balances are not considered readily convertible to known amounts of cash in the denomination currency without a risk of changes in value. However, the Group maintains their classification as cash and cash equivalents as they are freely transferrable within the Lebanese territory. These balances were as follows as at 31 March 2023 and 31 December 2022:

	Unaudited 31 March 2023 LBP Million	Audited 31 December 2022 LBP Million
Cash and balances with central banks	39,698,646	3,589,840
Due from banks and financial institutions	216,590	22,807
	39,915,236	3,612,647

20. Fair Value of Financial Instruments

The fair values in this note are stated at a specific date and may be different from the amounts which will actually be paid on the maturity or settlement dates of the instrument. In many cases, it would not be possible to realise immediately the estimated fair values given the size of the portfolios measured. Accordingly, these fair values do not represent the value of these instruments to the Group as a going concern. Financial assets and liabilities are classified according to a hierarchy that reflects the significance of observable market inputs. The three levels of the fair value hierarchy are defined below:

Quoted Market Prices – Level 1

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

Valuation Technique Using Observable Inputs – Level 2

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

Valuation Technique Using Significant Unobservable Inputs – Level 3

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

Effects of Exchange Rates on the Fair Value Measurements

The fair value disclosures for other assets and liabilities are first determined in their original currency, which is not the Lebanese Pound in the case of most of the assets and liabilities reported below. These are then translated to Lebanese Pounds at the official published exchange rate as discussed in Note 1.3. However, in light of the high deviation between the parallel market rate, the "Sayrafa" rates and the official published exchange rates, Management estimates that the amounts reported in this note in LBP do not reflect a reasonable estimate of expected cash flows in Lebanese Pounds that would have to be generated from the realisation of such assets or the payment of such liabilities at the date of the interim condensed financial statements, and Management is unable to estimate the effects on the fair value measurement. This matter should be taken into consideration when interpreting the fair value disclosures in this note, especially those under Level 1 and Level 2.

Fair Value of Financial Instruments Held at Fair Value

	Unaudited 31 March 2023			
	Level 1 LBP Million	Level 2 LBP Million	Level 3 LBP Million	**Total LBP Million**
FINANCIAL ASSETS				
Derivative financial instruments				
Derivatives held for trading				
Forward foreign exchange contracts	4,627	85,423	-	90,050
Forward precious metals contracts	21	-	-	21
Currency swaps	62,719	-	-	62,719
Currency options	58,751	59,158	-	117,909
Interest rate swaps	-	243,274	-	243,274
Equity options	59,473	-	-	59,473
Derivatives held for cash flow hedge				
Interest rate swaps	-	11,937	-	11,937
	185,591	**399,792**	**-**	**585,383**
Financial assets at fair value through profit or loss				
Lebanese sovereign and Central Bank of lebanon				
Eurobonds	174,059	-	-	174,059
Other sovereign:				
Treasury bills and bonds	158,870	-	-	158,870
Private sector and other securities				
Banks and financial institutions	1,606,893	-	-	1,606,893
Mutual funds	-	30,547	347,799	378,346
Equity instruments	730	21,958	-	22,688
	1,940,552	**52,505**	**347,799**	**2,340,856**
Financial assets at fair value through other comprehensive income				
Debt instruments				
Other sovereign				
Treasury bills and bonds	8,017,615	-	-	8,017,615
Private sector and other securities				
Banks and financial institutions	296,893	-	-	296,893
Equity instruments				
Quoted	896,938	-	-	896,938
Unquoted	-	2,644	252,846	255,490
	9,211,446	**2,644**	**252,846**	**9,466,936**
	11,337,589	**454,941**	**600,645**	**12,393,175**
FINANCIAL LIABILITIES				
Derivative financial instruments				
Derivatives held for trading				
Forward foreign exchange contracts	1,264	72,305	-	73,569
Forward precious metals contracts	1,764	-	-	1,764
Currency swaps	16,362	-	-	16,362
Precious metals swaps	11,266	-	-	11,266
Currency options	58,751	78,228	-	136,979
Interest rate swaps	-	269,314	-	269,314
Equity options	59,473	-	-	59,473
	148,880	**419,847**	**-**	**568,727**
Customers' deposits – sight	1,366,434	-	-	1,366,434
	1,515,314	**419,847**	**-**	**1,935,161**

	Audited 31 December 2022			
	Level 1 LBP Million	Level 2 LBP Million	Level 3 LBP Million	Total LBP Million
FINANCIAL ASSETS				
Derivative financial instruments				
Derivatives held for trading				
Forward foreign exchange contracts	1,136	6,762	-	7,898
Forward precious metals contracts	3	-	-	3
Currency swaps	1,971	23,770	-	25,741
Precious metals swaps	56	-	-	56
Currency options	6,827	11,966	-	18,793
Interest rate swaps	-	60,156	-	60,156
Equity options	6,496	-	-	6,496
	16,489	102,654	-	119,143
Financial assets at fair value through profit or loss				
Lebanese sovereign and Central Bank of Lebanon				
Eurobonds	16,168	-	-	16,168
Other sovereign				
Treasury bills and bonds	967	-	-	967
Private sector and other securities				
Banks and financial institutions	199,805	-	-	199,805
Mutual funds	-	3,169	34,550	37,719
Equity Instruments	52	2,034	-	2,086
	216,992	5,203	34,550	256,745
Financial assets designated at fair value through other comprehensive income				
Debt instruments				
Other sovereign				
Treasury bills	868,073	-	-	868,073
Private sector and other securities				
Banks and financial institutions	31,513	-	-	31,513
Equity instruments				
Quoted	87,331	-	-	87,331
Unquoted	-	266	44,658	44,924
	986,917	266	44,658	1,031,841
	1,220,398	108,123	79,208	1,407,729
FINANCIAL LIABILITIES				
Derivative financial instruments				
Derivative financial instruments				
Derivatives held for trading				
Forward foreign exchange contracts	994	4,951	-	5,945
Forward precious metals contracts	18	-	-	18
Currency swaps	4,274	11,820	-	16,094
Precious metals swaps	1,163	-	-	1,163
Currency options	6,827	4,145	-	10,972
Interest rate swaps	-	13,038	-	13,038
Equity options	6,496	-	-	6,496
Derivatives held for fair value hedge				
Interest rate swaps	-	834	-	834
	19,772	34,788	-	54,560
Customers' deposits – sight	145,711	-	-	145,711
	165,483	34,788	-	200,271

Valuation Techniques Used for Material Classes of Financial Assets and Liabilities Categorised within Level 2 and Level 3

Interest Rate Derivatives

Interest rate derivatives include interest rate swaps and interest rate options. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations by estimating future cash flows and discounting them with the appropriate yield curves incorporating funding costs relevant for the position. These contracts are generally Level 2 unless adjustments to yield curves or credit spreads are based on significant non-observable inputs, in which case they are Level 3. The Group does not have interest rate derivatives classified as Level 3.

Foreign Exchange Derivatives

Foreign exchange contracts include open spot contracts, foreign exchange forward and swap contracts and over-the-counter foreign exchange options. These instruments are valued by either observable foreign exchange rates, observable or calculated forward points and option valuation models. With the exception of contracts where a directly observable rate is available which are disclosed as Level 1, the Group classifies foreign exchange contracts as Level 2 financial instruments when no unobservable inputs are used for their valuation or the unobservable inputs used are not significant to the measurement (as a whole). The Group does not have foreign exchange derivatives classified as Level 3.

Funds and Equity Shares of Non-listed Entities

Units held in funds are measured based on their net asset value (NAV), taking into account redemption and/or other restrictions. Classification between Level 2 and Level 3 is dependent on whether the NAV is observable or unobservable (i.e. recent and published by the fund administrator or not).

Equity shares of non-listed entities comprise mainly the Group's strategic investments, are generally classified at fair value through other comprehensive income, and are not traded in active markets. These are investments in private companies, for which there is no or only limited sufficient recent information to determine fair value. The Group determined that cost adjusted to reflect the investee's financial position and results since initial recognition represents the best estimate of fair value. Classification between Level 2 and Level 3 is based on whether the financial statements of the investee are recent and published or not. These instruments are fair valued using third-party information (NAV or financial statements of non-listed entities), without adjustment. Accordingly, quantitative information about significant unobservable inputs and sensitivity analysis cannot be developed by the Group in accordance with IFRS 13.93 (d).

The movement of items recurrently measured at fair value categorised within Level 3 during the year is as follows:

	Unaudited 31 March 2023		Audited 31 December 2022	
	Financial Instruments at Fair Value through Profit or Loss	Financial Instruments at Fair Value through Other Comprehensive Income	Financial Instruments at Fair Value through Profit or Loss	Financial Instruments at Fair Value through Other Comprehensive Income
FINANCIAL ASSETS	LBP Million	LBP Million	LBP Million	LBP Million
Balance at 1 January	34,550	44,658	39,491	43,132
Re-measurement recognised in other comprehensive income	-	-	-	1,265
Re-measurement recognised in income statement	-	-	(264)	-
Purchases	4,018	-	-	769
Sales	-	-	(4,677)	-
Foreign exchange difference	309,231	208,188	-	(508)
Balance at 31 March/31 December	**347,799**	**252,846**	34,550	44,658

Fair Value of Financial Instruments not Held at Fair Value

Financial Assets and Liabilities Concentrated in Lebanon

These assets and liabilities consist of balances with the Central Bank of Lebanon and Lebanese banks, Lebanese government securities, loans and advances to customers and related parties, customers' and related parties deposits and debt issued and other borrowed funds. These are illiquid in nature and the measurement of their fair value is usually determined through discounted cash flow valuation models using observable market inputs, comprising of interest rates and yield curves, implied volatilities, and credit spreads. Due to the situation described in Note 1 and the unprecedented levels of uncertainty surrounding the economic crisis that Lebanon, and particularly the banking sector, is experiencing, Management is unable to produce faithful estimation of the fair value of these financial assets and liabilities. Accordingly, the table below does not include fair value disclosures for these assets and liabilities.

21. Contingent Liabilities, Commitments and Leasing Arrangements

Credit-related Commitments and Contingent Liabilities

The Group enters into various commitments, guarantees and other contingent liabilities which are mainly credit-related instruments including both financial and non-financial guarantees and commitments to extend credit. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Group. The table below discloses the nominal principal amounts of credit-related commitments and contingent liabilities. Nominal principal amounts represent the amount at risk should the contracts be fully drawn upon and clients' default. As a significant portion of guarantees and commitments is expected to expire without being withdrawn, the total of the nominal principal amount is not indicative of future liquidity requirements.

	Unaudited 31 March 2023		
	Banks LBP Million	Customers LBP Million	**Total LBP Million**
Guarantees and contingent liabilities			
Financial guarantees	42,303	1,878,550	1,920,853
Other guarantees	842,628	6,517,330	7,359,958
	884,931	**8,395,880**	**9,280,811**
Commitments			
Documentary credits	-	1,906,514	1,906,514
Loan commitments	-	20,955,852	20,955,852
Of which revocable	-	*14,256,488*	*14,256,488*
Of which irrevocable	-	*6,699,364*	*6,699,364*
	-	**22,862,366**	**22,862,366**

	Audited 31 December 2022		
	Banks LBP Million	Customers LBP Million	Total LBP Million
Guarantees and contingent liabilities			
Financial guarantees	5,019	248,348	253,367
Other guarantees	6,834	681,641	688,475
	11,853	929,989	941,842
Commitments			
Documentary credits	-	193,869	193,869
Loan commitments	-	2,279,907	2,279,907
Of which revocable	-	*1,746,103*	*1,746,103*
Of which irrevocable	-	*533,804*	*533,804*
	-	2,473,776	2,473,776

Guarantees (Including Standby Letters of Credit)

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

- Financial guarantees given to banks and financial institutions on behalf of customers to secure loans, overdrafts, and other banking facilities; and
- Other guarantees are contracts that have similar features to the financial guarantee contracts but fail to meet the strict definition of a financial guarantee contract under IFRS. These mainly include performance and tender guarantees.

Documentary Credits

Documentary credits commit the Group to make payments to third parties, on production of documents which are usually reimbursed immediately by customers.

Loan Commitments

Loan commitments are defined amounts (unutilised credit lines or undrawn portions of credit lines) against which clients can borrow money under defined terms and conditions.

Revocable loan commitments are those commitments that can be unconditionally cancelled at any time subject to notice requirements according to their general terms and conditions. Irrevocable loan commitments result from arrangements where the Group has no right to withdraw the loan commitment once communicated to the beneficiary.

Investment Commitments

The Group invested in funds pursuant to the provisions of Decision No. 6116 dated 7 March 1996 of the Central Bank of Lebanon. In accordance with this resolution, the Group can benefit from facilities granted by the Central Bank of Lebanon to be invested in startup companies, incubators and accelerators whose objects are restricted to supporting the development, success and growth of startup companies in Lebanon or companies whose objects are restricted to investing venture capital in startup companies in Lebanon. These investments have resulted in future commitments on the Group of LBP 9,865 million as of 31 March 2023 (31 December 2022: same).

Legal Claims

Litigation is a common occurrence in the banking industry due to the nature of the business. At year-end, the Group had several unresolved legal claims in Lebanon and abroad, mainly those relating to the restrictive measures in place with respect to the withdrawal of funds and transfers abroad and a civil action filed in US federal courts in the US District Court in the Eastern District of New York (EDNY) against eleven Lebanese banks including Bank Audi sal asserting primary and secondary liability claims under the Anti-Terrorism Act ("ATA").

The extent of the impact of these matters cannot always be predicted but may materially impact the Group's operations, financial results, condition and prospects. However, once professional advice has been obtained and the amount of damages reasonably estimated, the Group makes adjustments to account for any adverse effects which the claims may have on its financial standing. Based on advice from legal counsel, and despite the novelty of certain claims and the uncertainties inherent in their unique situation, Management believes that legal claims will not result in any material financial loss to the Group. However, they may have an impact on the offshore liquidity of the Group, its foreign assets, and its foreign currency exposure (Note 26).

Capital Expenditure Commitments

	Unaudited 31 March 2023 LBP Million	Audited 31 December 2022 LBP Million
Capital expenditure commitments	4,250	422

Commitments Resulting from Credit Facilities Received

The Group has several commitments and covenants resulting from credit facilities, term loans and subordinated debts with non-resident financial institutions. The Group is in breach with some of the financial covenants which were calculated based on the recorded figures and does not take into consideration the adjustments that may result from the resolution of the uncertainties in Note 1. Due to the high level of uncertainties and the lack of observable reliable indicators and the high gap in currency rates, the Group is unable to estimate in a reasonable manner the impact of these matters on its covenant calculation.

Other Commitments and Contingencies

Certain areas of the Lebanese tax legislation and the tax legislations where the subsidiaries operate are subject to different interpretations in respect of the taxability of certain types of financial transactions and activities. The Bank's books in Lebanon for the years 2015 to 2017 (inclusive) are currently under review by the tax authorities. The outcome of this review cannot be determined yet. The Bank's books in Lebanon remain subject to the review of the tax authorities for the years 2018 to 2022 and the review of the National Social Security Fund (NSSF) for the period from 30 September 2011 to 31 March 2023. In addition, the subsidiaries' books and records are subject to review by the tax and social security authorities in the countries in which they operate. Management believes that adequate provisions were recorded against possible review results to the extent that they can be reliably estimated.

22. Assets Under Management

Assets under management include client assets managed or deposited with the Group. For the most part, the clients decide how these assets are to be invested.

	Unaudited 31 March 2023 LBP Million	Audited 31 December 2022 LBP Million
Assets under management	104,688,778	9,729,265
Fiduciary assets	16,853,232	1,687,547
	121,542,010	11,416,812

23. Related-Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or one other party controls both. The definition includes subsidiaries, associates, Key Management Personnel and their close family members, as well as entities controlled or jointly controlled by them.

Subsidiaries

Transactions between the Bank and its subsidiaries meet the definition of related-party transactions. However, where these are eliminated on consolidation, they are not disclosed in the Group's financial statements.

Associates and Other Entities

The Group provides banking services to its associates and to entities under common directorships. As such, loans, overdrafts, interest and non-interest bearing deposits, and current accounts are provided to these entities, as well as other services. These transactions are conducted on the same terms as third-party transactions

Amounts included in the Group's financial statements are as follows:

	Unaudited 31 March 2023 LBP Million	Audited 31 December 2022 LBP Million
Loans and advances	597,173	64,475
Of which: granted to Key Management Personnel	*34,929*	*7,451*
Of which: cash collateral received against loans	*570,500*	*55,241*
Indirect facilities	15,110	1,734
Deposits	1,097,673	116,350
Interest income on loans	230	682
Interest expense on deposits	115	505

Key Management Personnel

Key Management Personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Group and its employees. The Group considers the members of the Board of Directors (and it sub-committees) and Executive Committee, and persons and entities connected to them to be Key Management Personnel.

	Unaudited 31 March 2023 LBP Million	Unaudited 31 March 2022 LBP Million
Short-term benefits	3,968	1,988
Post-employment benefits – income statement	17	69

Short-term benefits comprise of salaries, bonuses, attendance fees and other benefits.

Provision for end-of-service benefits of Key Management Personnel amounted to LBP 4,052 million as of 31 March 2023 (31 December 2022: LBP 4,035 million).

24. Credit Risk

Expected Credit Losses

Financial Assets and ECLs by Stage

The tables below present an analysis of financial assets at amortised cost by gross exposure and impairment allowance by stage allocation as at 31 March 2023 and 31 December 2022. The Group does not hold any purchased or originated credit-impaired assets as at period-end.

	Gross Exposure				Impairment Allowance				
31 March 2023 (Unaudited)	Stage 1 LBP Million	Stage 2 LBP Million	Stage 3 LBP Million	**Total LBP Million**	Stage 1 LBP Million	Stage 2 LBP Million	Stage 3 LBP Million	**Total LBP Million**	**Net Exposure LBP Million**
Central banks	9,210,270	119,696,064	-	128,906,334	3,006	2,272,546	-	2,275,552	126,630,782
Due from banks and financial institutions	25,663,885	216,590	5,514	25,885,989	131	-	130,996	131,127	25,754,862
Loans to banks and financial institutions and reverse repurchase agreements	2,549,847	-	-	2,549,847	-	-	-	-	2,549,847
Loans and advances to customers at amortised cost	35,975,058	7,355,244	6,778,167	50,108,469	842,747	1,058,253	5,243,702	7,144,702	42,963,767
Corporate and SME	*24,342,461*	*7,232,172*	*4,632,036*	*36,206,669*	*790,130*	*1,011,623*	*3,498,469*	*5,300,222*	*30,906,447*
Retail and Personal Banking	*11,528,099*	*122,255*	*1,783,674*	*13,434,028*	*52,617*	*46,628*	*1,460,381*	*1,559,626*	*11,874,402*
Public sector	*104,498*	*817*	*362,457*	*467,772*	-	*2*	*284,852*	*284,854*	*182,918*
Loans and advances to related parties at amortised cost	597,173	-	-	597,173	-	-	-	-	597,173
Financial assets at amortised cost	13,562,140	34,110,097	4,703,100	52,375,337	56,011	649,272	1,004,556	1,709,839	50,665,498
Financial guarantees and other commitments	17,299,587	646,992	100,114	18,046,693	43,031	15,058	31,232	89,321	17,957,372
Total	**104,857,960**	**162,024,987**	**11,586,895**	**278,469,842**	**944,926**	**3,995,129**	**6,410,486**	**11,350,541**	**267,119,301**

	Gross Exposure				Impairment Allowance				
31 December 2022 (Audited)	Stage 1 LBP Million	Stage 2 LBP Million	Stage 3 LBP Million	Total LBP Million	Stage 1 LBP Million	Stage 2 LBP Million	Stage 3 LBP Million	Total LBP Million	Net Exposure LBP Million
Central banks	1,172,615	13,166,568	-	14,339,183	360	228,094	-	228,454	14,110,729
Due from banks and financial institutions	2,991,951	24,742	544	3,017,237	265	-	206	471	3,016,766
Loans to banks and financial institutions and reverse repurchase agreements	216,397	-	-	216,397	-	-	-	-	216,397
Loans and advances to customers at amortised cost	4,964,052	788,715	1,009,065	6,761,832	53,116	129,074	708,522	890,712	5,871,120
Corporate and SME	*3,414,443*	*744,315*	*681,480*	4,840,238	*23,103*	*114,454*	*472,626*	*610,183*	*4,230,055*
Retail and Personal Banking	*1,540,365*	*43,256*	*286,885*	1,870,506	*30,013*	*14,619*	*207,359*	*251,991*	*1,618,515*
Public sector	*9,244*	*1,144*	*40,700*	51,088	-	*1*	*28,537*	*28,538*	*22,550*
Loans and advances to related parties at amortised cost	64,476	-	-	64,476	1	-	-	1	64,475
Financial assets at amortised cost	1,422,426	3,478,796	2,310,018	7,211,240	2,642	65,252	87,890	155,784	7,055,456
Financial guarantees and other commitments	1,614,563	51,807	10,200	1,676,570	7,649	15,877	3,360	26,886	1,649,684
Total	12,446,480	17,510,628	3,329,827	33,286,935	64,033	438,297	799,978	1,302,308	31,984,627

Analysis of Risk Concentrations

Geographic Location analysis

The Group controls credit risk by maintaining close monitoring credit of its assets exposures by geographic location. The distribution of financial assets by geographic region as of 31 March 2023 and 31 December 2022 is as follows:

	Unaudited 31 March 2023									
	Lebanon LBP Million	Turkey LBP Million	MENA LBP Million	Europe LBP Million	North America LBP Million	Asia LBP Million	Rest of Africa LBP Million	Central and South America LBP Million	Rest of the World LBP Million	**Total LBP Million**
Balances with central banks	117,423,518	4,959,103	-	4,248,161	-	-	-	-	-	126,630,782
Due from banks and financial institutions	4,779,417	1,046,748	4,509,298	11,701,115	3,492,819	3,424	222,041	-	-	25,754,862
Loans to banks and financial institutions and reverse repurchase agreements	-	2,549,847	-	-	-	-	-	-	-	2,549,847
Derivative financial instruments	151	292,924	-	291,745	121	434	8			585,383
Financial assets at fair value through profit or loss	174,059	1,052	-	1,691,440	145,153	-	-	1,194	-	2,012,898
Loans and advances to customers at amortised cost	6,083,995	23,826,058	4,846,388	3,364,359	46,286	825,921	3,553,606	327,845	89,309	42,963,767
Loans and advances to related parties at amortised cost	37,104	-	550,505	9,564	-	-	-	-	-	597,173
Debtors by acceptances	7,149	-	22,672	7,692	-	-	33,170	-	-	70,683
Financial assets at amortised cost	37,162,129	3,444,254	1,085,172	2,263,131	5,263,335	1,250,104	-	-	197,373	50,665,498
Financial assets at fair value through other comprehensive income	-	7,902,020	133,509	45,569	115,594	-	-	-	117,816	8,314,508
Other assets	2,011,917	504,157	5,415	96,484	-	-	-	-	-	2,617,973
	167,679,439	**44,526,163**	**11,152,959**	**23,719,260**	**9,063,308**	**2,079,883**	**3,808,825**	**329,039**	**404,498**	262,763,374

	Audited 31 December 2022									
	Lebanon LBP Million	Turkey LBP Million	MENA LBP Million	Europe LBP Million	North America LBP Million	Asia LBP Million	Rest of Africa LBP Million	Central and South America LBP Million	Rest of the World LBP Million	Total LBP Million
Balances with central banks	12,938,474	607,751	-	564,504	-	-	-	-	-	14,110,729
Due from banks and financial institutions	22,997	411,216	201,786	2,028,020	352,190	554	3	-	-	3,016,766
Loans to banks and financial institutions and reverse repurchase agreements	-	216,397	-	-	-	-	-	-	-	216,397
Derivative financial instruments	365	30,489	285	83,341	4,383	122	158	-	-	119,143
Financial assets at fair value through profit or loss	16,168	868	-	199,805	-	-	-	99	-	216,940
Loans and advances to customers at amortised cost	2,347,976	2,263,487	456,883	341,932	5,928	72,710	342,355	29,930	9,919	5,871,120
Loans and advances to related parties at amortised cost	7,995	-	55,547	933	-	-	-	-	-	64,475
Debtors by acceptances	830	-	220	756	-	-	5,249	-	-	7,055
Financial assets at amortised cost	5,635,950	342,280	117,356	230,219	580,821	129,065	-	-	19,765	7,055,456
Financial assets at fair value through other comprehensive income	-	843,596	13,577	-	29,497	12,916	-	-	-	899,586
Other assets	506,145	42,416	1,713	6,621	-	-	-	-	-	556,895
	21,476,900	4,758,500	847,367	3,456,131	972,819	215,367	347,765	30,029	29,684	32,134,562

25. Market Risk

Currency Risk

Foreign exchange (or currency) risk is the risk that the value of a portfolio will fall as a result of changes in foreign exchange rates. The major sources of this type of market risk are imperfect correlations in the movements of currency prices, fluctuations in interest rates and exchange rate volatility in general. The Group is subject to currency risk on financial assets and liabilities that are denominated in currencies other than the Lebanese Pound. Most of these financial assets and liabilities are in US Dollars, Euros and Turkish Liras. The Group has also exposure to foreign currency risk through its subsidiaries that have a functional currency other than Lebanese Pounds.

As disclosed in Note 1.3, the Group's assets and liabilities in foreign currencies are valued at the official published exchange rate. Due to the high volatility and the significant variance in exchange rates between the multiple currency market, this does not always represent a reasonable estimate of expected cash flows in Lebanese Pounds that would have to be generated/used from the realisation of such assets or the payment of such liabilities at the date of the transaction or at the date of the financial statements.

In February 2023, the Central Bank of Lebanon changed the official published exchange rate from LBP 1,507.5 to LBP 15,000 to the US Dollars. "Sayrafa" rates and parallel market rates remained highly volatile and divergent from the new official published exchange rate official (LBP 42,000 and LBP 58,200 respectively at 1 February 2023). The consolidated financial statements as at and for the year ended 31 December 2022 do not include adjustments from the change in this rate from LBP 1,507.5 to LBP 15,000 to the US Dollar. The gap between the several exchange rates and the subjectivity and complexities surrounding exchange rates remained even after the change in the official published exchange rate, and Management believes that the future unification of the exchange rate of the LBP to the US Dollar will further have a significant impact on its financial position and regulatory ratios from the translation of assets and liabilities in foreign currencies at a different rate. Management is unable to determine what would be a reasonable possible movement in order to provide useful quantitative sensitivity analysis.

The following tables present the breakdown of assets and liabilities of the Group by currency. Impairment allowances are reflected in the tables below in the currency in which they were recorded, which might differ from the original currency of the impaired asset:

	Unaudited 31 March 2023					
	LBP LBP Million	USD LBP Million	EUR LBP Million	TRY LBP Million	Other LBP Million	Total LBP Million
Assets						
Cash and balances with central banks	1,419,238	113,230,334	12,286,590	1,073,561	943,626	128,953,349
Due from banks and financial institutions	13,113	20,028,460	1,296,875	841,801	3,574,613	25,754,862
Loans to banks and financial institutions and reverse repurchase agreements	-	-	-	2,549,847	-	2,549,847
Derivative financial instruments	-	261,884	31,420	180,521	111,558	585,383
Financial assets at fair value through profit or loss	-	581,823	4,197	221,018	1,606,894	2,413,932
Loans and advances to customers at amortised cost	1,544,519	13,649,769	12,334,076	13,232,359	2,203,044	42,963,767
Loans and advances to related parties at amortised cost	4,749	582,037	10,386	-	1	597,173
Debtors by acceptances	-	40,409	9,016	-	21,258	70,683
Financial assets at amortised cost	2,149,427	41,866,437	1,286,156	5,363,478	-	50,665,498
Financial assets at fair value through other comprehensive income	21,713	4,206,357	821,911	4,358,078	58,877	9,466,936
Investments in associates	-	183,993	-	-	-	183,993
Property and equipment and right-of-use assets	7,505,320	1,214	98,350	243,620	611,507	8,460,011
Intangible assets	36,382	-	7,333	183,294	14,441	241,450
Assets obtained in settlement of debt	2,685	95,782	-	596,826	-	695,293
Other assets	529,123	1,621,523	114,200	548,698	171,817	2,985,361
Deferred tax assets	3,469	833	14,347	533,188	86,082	637,919
Goodwill	-	422,220	-	-	-	422,220
Total assets	**13,229,738**	**196,773,075**	**28,314,857**	**29,926,289**	**9,403,718**	**277,647,677**
Liabilities and shareholders' equity						
Due to central banks	2,413,142	255,928	411	931,808	-	3,601,289
Due to banks and financial institutions	6,130	3,335,024	613,824	600,175	141,903	4,697,056
Due to banks under repurchase agreements	-	377,575	-	-	-	377,575
Derivative financial instruments	-	297,082	32,938	89,991	148,716	568,727
Customers' deposits	5,078,450	176,674,244	20,282,372	23,829,338	7,514,272	233,378,676
Deposits from related parties	2,662	936,315	121,868	1,333	35,495	1,097,673
Debt issued and other borrowed funds	-	8,174,976	-	160,779	-	8,335,755
Engagements by acceptances	-	40,409	9,016	-	21,258	70,683
Other liabilities	233,869	1,234,953	201,708	621,936	156,806	2,449,272
Deferred tax liabilities	234,872	-	-	-	46,423	281,295
Current tax liability	25,495	-	52,595	265,033	4,124	347,247
Provisions for risks and charges	339,505	707,111	30,689	693,756	147,739	1,918,800
Shareholders' equity	7,268,684	6,018,624	1,206,565	2,481,812	3,547,944	20,523,629
Total liabilities and shareholders' equity	**15,602,809**	**198,052,241**	**22,551,986**	**29,675,961**	**11,764,680**	**277,647,677**

	Audited 31 December 2022					
	LBP LBP Million	USD LBP Million	EUR LBP Million	TRY LBP Million	Other LBP Million	Total LBP Million
Assets						
Cash and balances with central banks	1,189,224	11,514,238	1,265,328	92,617	243,147	14,304,554
Due from banks and financial institutions	193	2,118,222	274,908	404,129	219,314	3,016,766
Loans to banks and financial institutions and reverse repurchase agreements	-	-	-	216,397	-	216,397
Derivative financial instruments	-	54,949	4,859	49,066	10,269	119,143
Financial assets at fair value through profit or loss	-	56,439	375	126	199,805	256,745
Loans and advances to customers at amortised cost	1,741,498	1,481,306	1,273,983	1,159,111	215,222	5,871,120
Loans and advances to related parties at amortised cost	4,810	58,735	930	-	-	64,475
Debtors by acceptances	-	5,713	966	-	376	7,055
Financial assets at amortised cost	2,075,903	4,363,497	127,637	488,419	-	7,055,456
Financial assets at fair value through other comprehensive income	21,713	426,142	82,868	495,335	5,783	1,031,841
Investments in associates	-	14,359	-	-	-	14,359
Property and equipment and right-of-use assets	7,550,404	617	9,960	24,356	61,431	7,646,768
Intangible assets	39,017	-	738	19,602	1,420	60,777
Assets obtained in settlement of debt	2,685	95,782	-	64,933	-	163,400
Other assets	519,123	70,419	8,079	47,892	16,945	662,458
Deferred tax assets	3,217	-	12	47,852	6,114	57,195
Goodwill	-	42,442	-	-	-	42,442
Total Assets	13,147,787	20,302,860	3,050,643	3,109,835	979,826	40,590,951
Liabilities and shareholders' equity						
Due to central banks	2,432,013	29,245	40	272,669	-	2,733,967
Due to banks and financial institutions	179,155	319,332	76,856	-	8,142	583,485
Due to banks under repurchase agreements	-	-	-	49,799	-	49,799
Derivative financial instruments	-	16,728	5,346	19,502	12,984	54,360
Customers' deposits	5,430,165	18,250,570	2,173,998	2,515,948	730,257	29,100,938
Deposits from related parties	4,805	98,178	7,513	137	5,717	116,350
Debt issued and other borrowed funds	-	823,443	-	-	-	823,443
Engagements by acceptances	-	5,713	966	-	376	7,055
Other liabilities	187,744	121,608	17,547	56,914	22,008	405,821
Deferred tax liabilities	98,292	-	-	-	2,005	100,297
Current tax liability	8,834	-	2,500	17,396	266	28,996
Provisions for risks and charges	383,941	40,071	3,009	79,260	24,617	530,898
Shareholders' equity	3,743,997	3,259,269	47,229	(1,272,214)	277,061	6,055,342
Total liabilities and shareholders' equity	12,468,946	22,964,157	2,335,004	1,739,411	1,083,433	40,590,951

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

	31 March 2023 (Unaudited)			
	USD LBP Million	EUR LBP Million	Other LBP Million	**Total LBP Million**
Assets				
Cash and balances with central banks	110,150,577	6,562,181	85,504	116,798,262
Due from banks and financial institutions	216,554	-	-	216,554
Financial assets at fair value through profit or loss	288,649	-	-	288,649
Loans and advances to customers at amortised cost	2,513,545	297,104	9,161	2,819,810
Loans and advances to related parties at amortised cost	31,419	-	-	31,419
Financial assets at amortised cost	35,009,098	-	-	35,009,098
Financial assets at fair value through other comprehensive income	920,220	-	-	920,220
Investment in associates	183,993	-	-	183,993
Property and equipment and right-of-use assets	1,214	-	514	1,728
Assets obtained in settlement of debt	95,782	-	-	95,782
Other assets	1,414,253	1,869	-	1,416,122
Total assets	**150,825,304**	**6,861,154**	**95,179**	**157,781,637**
Liabilities and shareholders' equity				
Due to central banks	257,198	-	-	257,198
Due to banks and financial institutions	447,423	171	13	447,607
Customers' deposits	148,458,019	6,801,713	958,626	156,218,358
Deposits from related parties	624,632	57,808	2,797	685,237
Other liabilities	650,610	2,103	405	653,118
Provisions for risks and charges	585,369	-	-	585,369
Total liabilities	**151,023,251**	**6,861,795**	**961,841**	**158,846,887**

	31 December 2022 (Audited)			
	USD LBP Million	EUR LBP Million	Other LBP Million	Total LBP Million
Assets				
Cash and balances with central banks	11,060,957	711,704	4,807	11,777,468
Due from banks and financial institutions	22,808	-	-	22,808
Financial assets at fair value through profit or loss	28,585	-	-	28,585
Loans and advances to customers at amortised cost	445,973	41,954	1,464	489,391
Loans and advances to related parties at amortised cost	3,177	-	-	3,177
Financial assets at amortised cost	3,559,684	-	-	3,565,684
Financial assets at fair value through other comprehensive income	89,356	315	-	89,671
Investment in associates	14,359	-	-	14,359
Property and equipment and right-of-use assets	617	-	52	669
Assets obtained in settlement of debt	95,782	-	-	95,782
Other assets	65,337	427	264	66,028
Total assets	15,386,635	754,400	6,587	16,147,622
Liabilities				
Due to central banks	29,145	-	-	29,145
Due to banks and financial institutions	43,304	127	26	43,457
Customers' deposits	15,149,980	674,484	95,598	15,920,062
Deposits from related parties	30,262	2,136	276	32,674
Other liabilities	60,724	531	259	61,514
Provisions for risks and charges	22,234	-	-	22,234
Total liabilities	15,335,649	677,278	96,159	16,109,086

26. Litigation Risk

Since 17 October 2019, the Group has been subject to an increased litigations in Lebanon and abroad, as a result of the restrictive measures adopted by Lebanese banks in relation to the withdrawal of funds and transfers abroad, as well as in relation to the repayment by customers of local foreign currency loans in Lebanese Pounds. Management is carefully considering the impact of these existing litigations and claims against the Group in relation to these restrictive measures. There are still uncertainties related to the consequences of these restrictive measures, based on the current available information and the prevailing laws and local banking practices. Due to recent developments and the increasing trend in judgments ruled in favour of the plaintiffs and customers during 2021 and 2022 in Lebanon and abroad, Management considers that they may affect negatively the offshore liquidity of the Group, its foreign assets and its foreign currency mismatch (refer to Note 25 – Currency Risk). The amount cannot be determined presently. At the balance sheet date, shares owned by the Bank in certain local and foreign subsidiaries were placed under seizure, by court orders in relation to litigations raised by customers for the transfer of funds abroad. Also, amounts held by the Bank at foreign correspondent banks, especially in France, are being subject to conservatory seizures by clients who filed lawsuits, whether in Lebanon or abroad, since it is very easy to meet the criteria needed to be satisfied in France to obtain a conservatory seizures on amounts (Note 17). Mount Lebanon Prosecutor Ghada Aoun placed restrictions on the right to dispose the assets of executive members and authorised signatories of the Bank (this applies to properties, vehicles and shares in companies owned by the banks or such individuals) as well as the assets of the Bank as disclosed in notes 26 and 27. However, the Attorney General instructed Judge Aoun not to be in charge of the said file for abuse of her powers in violation of laws and regulations.

Complaints have also been filed by groups of individuals against "Lebanese banks" and the chairmen of their board of directors for alleged committed crimes of tort and fraudulent bankruptcy, money laundering, fraud and breach of trust, which resulted in different legal decisions and actions on several banks. With respect to Bank Audi sal, the Bank was the target of restraining orders preventing it from disposing of its assets (Notes 26 and 28), in addition to accusations of violation of the banking secrecy law. Bank Audi sal has sought legal expertise on the matter: common consensus converges toward the fact that the claims are baseless and with no legal grounds. On 4 May 2023, a decision was rendered by the Disciplinary Council of Judges in Lebanon to suspend and dismiss the Public Prosecutor of Appeal in Mount Lebanon, noting that the decision is subject to the Supreme Disciplinary Authority. At present, the case is with the Judge of Instruction, and Management and its legal counsels are in the opinion that the case will be dismissed for lack of legal grounds.

In addition, the Group may, from time to time, become involved in other legal or arbitration proceedings which may affect its operations and results. Litigation risk arises from pending or potential legal claims against the Group (Note 21).

27. Political Risk

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

28. Capital Management

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

Central Bank of Lebanon Intermediate Circular 567 issued on 26 August 2020, Intermediate Circular 649 issued on 24 November 2022, and Intermediate Circular 659 issued on 21 January 2023 introduced several key changes to the calculation of regulatory capital adequacy ratios. These changes include:

- Raising the regulatory expected credit loss level for Lebanese government securities in foreign currency and Lebanese government-related exposures in same currency from 9.45% to 45% initially, and then again to 75% (the latter level to be reached by 31 December 2026). Regulatory ECL for other exposures remain unchanged. These levels remained applicable in March 2023.

	31 March 2023	31 December 2022
Type of financial instrument		
Exposures to Central Bank of Lebanon in foreign currency	1.89%	1.89%
Exposures to Central Bank of Lebanon in Lebanese Pounds	0%	0%
Lebanese government securities in foreign currency	75%	75%
Lebanese government securities in Lebanese Pounds	0%	0%

The Group is gradually recording expected credit losses on Lebanese government securities in foreign currency to reach the loss rate of 75% by 31 December 2026 as permissible by the circular. The remaining balance of LBP 99,358 million will be amortized in the coming three years.

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

- Inclusion of 50% of revaluations gain of owned real estate properties (excluding ones acquired in settlement of bad debt as per Article 154 of the Code of Money & Credit) in Common Equity Tier 1, instead of 50% of this gain in Tier 2, as was the case previously. The regulatory deadline for completing the reappraisal process for such properties was set on 31 December 2023. During 2022, the Group revalued real estate properties and recorded a revaluation gain of LBP 7,077,786 million at Sayrafa exchange rate of LBP 38,000 to the US Dollar in accordance with Intermediary Circular 659. As a result, CET 1 increased by LBP 3,233,814 million at 31 March 2023 compared to 31 December 2021.

- Exceptionally during 2020 and 2021, allowing banks to draw down the 2.5% capital conservation buffer on condition of rebuilding it progressively starting 2022 by 0.75% each year, to reach the minimum required level of 2.5% by the end of 2024.

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

- Exceptionally for 2020 and 2021, allowing banks to include provisions for expected credit losses on Stage 1 and 2 exposures, excluding those relating to Lebanese sovereign and the Central Bank of Lebanon, under regulatory Common Equity Tier 1 (previously only stage 1 allowances were included in Tier 2 capital, subject to a 1.25% cap relative to credit risk-weighted assets). Such provisions included under CET 1 should be amortised over a period of 3 years starting 2022 and ending in 2024 by 25% yearly. Amounts included as at 31 March 2023 were LBP 993,811 million (2022: LBP 156,772 million).

- Exceptionally for 2022 and 2023, allowing banks to include under CET 1 part of the losses resulting from the purchase of local dollars from the Central Bank of Lebanon against Lebanese Pound for the purpose of reducing open net FX short positions prior to 17 November 2022. In 2022, 66% of these losses can be included under CET 1, while in 2023, a maximum of 33% level applies. Amounts included as at 31 March 2023 under CET 1 were LBP 340,661 million (2022: LBP 681,323 million).

The following table shows the applicable regulatory capital ratios:

	Common Tier 1 Capital Ratio	Tier 1 Capital Ratio	Total Capital Ratio
31 March 2023			
Minimum required capital ratios (including 1.50% applicable capital conservation buffer)	**6.00%**	**7.50%**	**9.50%**
With the full capital conservation buffer of 2.5% (applicable in 2024)	**7.00%**	**8.50%**	**10.50%**
31 December 2022			
Minimum required capital ratios (including 0.75% applicable conservation buffer)	5.25%	6.75%	8.75%
With the full capital conservation buffer of 2.5% (applicable in 2024)	7.00%	8.50%	10.50%

	Unaudited 31 March 2023 LBP Million	Audited 31 December 2022 LBP Million
Risk-weighted assets:		
Credit risk	250,863,600	34,953,151
Market risk	5,523,514	581,987
Operational risk	506,936	506,936
Total risk-weighted assets	256,894,050	36,042,074

The regulatory capital including net profit for the period as of 31 March is as follows:

	Unaudited 31 March 2023 LBP Million	Audited 31 December 2022 LBP Million
Tier 1 capital	16,696,082	3,192,755
Of which: Common Tier 1	*15,738,332*	*2,280,036*
Tier 2 capital	3,369,202	341,950
Total capital	20,065,284	3,534,705

The capital adequacy ratio including net profit for the period as of 31 March is as follows:

	31 March 2023	31 December 2022
Capital adequacy – Common Tier 1	6.13%	6.33%
Capital adequacy – Tier 1	6.50%	8.86%
Capital adequacy – Total capital	7.81%	9.81%

The capital adequacy ratios as at 31 March 2023 and 31 December 2022 were calculated based on the recorded figures and do not take into consideration the adjustments that may result from the resolution of the uncertainties reflected in Note 1. Due to the high levels of uncertainties, the lack of observable reliable indicators, the high gap between the currency parallel market rates, the "Sayrafa" rate and the official published exchange rate, and the lack of visibility on the government's plans with respect to: (a) the high exposures of Lebanese banks with the Central Bank of Lebanon, (b) the Lebanese sovereign securities, and (c) the currency exchange mechanisms and currency exchange rates that will be applied, Management is unable to estimate in a reasonable manner the impact of these matters on the Group's capital adequacy. Management has concerns about the effects that the above matters will have on the capital of the Group and the recapitalisation needs that may arise once the necessary adjustments are determined and recorded. In particular as a first step, the needs and implications that might result from the accounting for the subsequent change in the official published exchange rate

03
ADDRESSES

1.0. Lebanon

Bank Audi sal

Member of the Association of Banks in Lebanon
Capital: LBP 992,878,257,468 *(as at March 2023)*
Consolidated shareholders' equity:
LBP 20,523,629,123,244 *(as at March 2023)*
C.R. 11347 Beirut
List of Banks No. 56

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SOFIL Center, Charles Malek Avenue.
Tel: (961-1) 200250. Fax: (961-1) 200724, 339092.
Senior Manager: Mrs. Rita M. Freiha

BAB IDRISS
Bank Audi Plaza, Omar Daouk Street.
Tel: (961-1) 977588. Fax: (961-1) 999410, 971502.
Network Manager – Corporate Banking:
Mrs. Ghina M. Dandan
Senior Branch Manager: Mrs. Patricia G. Debs

VERDUN
Verdun 2000 Center, Rashid Karameh Avenue.
Tel: (961-1) 805805. Fax: (961-1) 865635, 861885.
Senior Branch Manager: Mrs. Nisrine A. Ismail

BEIRUT

ASHRAFIEH – SASSINE
Le Gabriel Hotel, Elias Sarkis Avenue, Sassine.
Tel: (961-1) 200640. Fax: (961-1) 216685.
Senior Branch Manager: Ms. Rita C. Haddad

BADARO
Ibrahim Ghattas Bldg., Badaro Street.
Tel: (961-1) 387395. Fax: (961-1) 387398.
Branch Manager: Mrs. Nayla S. Hanna

BESHARA EL-KHOURY
Banna & Sayrawan Bldg., Beshara El-Khoury Street.
Tel: (961-1) 664093. Fax: (961-1) 664096.
Branch Manager: Mrs. Roula F. Ramadan

BLISS
Kanater Bldg., Bliss Street.
Tel: (961-1) 361793. Fax: (961-1) 361796.
Branch Manager: Mrs. Nancy S. Boustany

GEFINOR
Gefinor Center, Clemenceau Street.
Tel: (961-1) 743400. Fax: (961-1) 743412.
Senior Branch Manager: Ms. Rima M. Hoss

HAMRA
Mroueh Bldg., Hamra Street.
Tel: (961-1) 341491. Fax: (961-1) 344680.
Senior Branch Manager: Mrs. Dima R. Chahine

JNAH
Tahseen Khayat Bldg., Khalil Moutran Street.
Tel: (961-1) 844870. Fax: (961-1) 844875.
Senior Branch Manager: Mrs. Ghada S. Al-Ameen

MAZRAA
Wakf El-Roum Bldg., Saeb Salam Blvd.
Tel: (961-1) 305612. Fax: (961-1) 316873, 300451.
Branch Manager: Mr. Moustafa M. Anouty

MOUSSEITBEH
Makassed Commercial Center, Mar Elias Street.
Tel: (961-1) 818277. Fax: (961-1) 303084.
Branch Manager: Mr. Taha N. Keshly

SELIM SALAM
Sharkawi Bldg., Selim Salam Avenue.
Tel: (961-1) 318824. Fax: (961-1) 318657.
Branch Manager: Mrs. Iman M. Hankir

SERAIL
Bank Audi Plaza, Omar Daouk Street.
Tel: (961-1) 952515. Fax: (961-1) 991287.
Senior Branch Manager: Mrs. Nada N. Rizk

SODECO
Alieh Bldg., Istiklal Street.
Tel: (961-1) 612790. Fax: (961-1) 612793.
Senior Branch Manager: Mrs. Josette F. Aramouni

TABARIS
Saifi Plaza, Fouad Shehab Avenue & Georges Haddad Street crossroad.
Tel: (961-1) 992335-9, 990416. Fax: (961-1) 990516.
Senior Branch Manager: Mrs. Raghida N. Bacha

ZARIF
Salhab Center, Algeria Street.
Tel: (961-1) 747550. Fax: (961-1) 747553.
Branch Manager: Mrs. Hiba M. Kayyal

MOUNT LEBANON

AIN EL-REMMANEH
Etoile Center, El-Areed Street.
Tel: (961-1) 292870. Fax: (961-1) 292869.
Branch Manager: Mrs. Roula E. Fayad

AJALTOUN
Bou Shaaya & Khoury Center, El-Midane.
Tel: (961-9) 234620. Fax: (961-9) 234439.
Branch Manager: Mr. Jihad A. Sfeir

ALEY
Beshara El-Khoury Road (near Aley Club), Aley.
Tel: (961-5) 556902. Fax: (961-5) 558903.
Branch Manager: Mr. Alaa Y. Azzam

BAABDA
Boulos Brothers Bldg., Damascus International Road.
Tel: (961-5) 451452. Fax: (961-5) 953236.
Branch Manager: Mrs. Hala N. Younes

BOURJ HAMMOUD
Mekheterian Bldg., Municipality Square.
Tel: (961-1) 263325. Fax: (961-1) 265679.
Branch Manager: Mr. Christapor A. Libarian

BROUMMANA
Lodge Center, Main Road.
Tel: (961-4) 860163. Fax: (961-4) 860167.
Branch Manager: Mr. Hadi M. Chaoul

DEKWANEH
El-Nefaa, Main Road.
Tel: (961-1) 693790. Fax: (961-1) 693795.
Branch Manager: Mr. Fady A. Khoury

DORA
Cité Dora 1, Dora Highway.
Tel: (961-1) 255686. Fax: (961-1) 255695.
Senior Branch Manager: Mr. Charles A. Berberi

ELYSSAR
Elyssar Main Road, Mazraat Yashouh.
Tel: (961-4) 913928. Fax: (961-4) 913932.
Branch Manager: Mrs. Nisrine N. Chidiac

FANAR
La Rose Center, Main Road.
Tel: (961-1) 879637. Fax: (961-1) 879641.
Branch Manager: Mrs. Grace E. Moussa

GHAZIR
Main Road, Ghazir, Kfarhebab.
Tel: (961-9) 851720. Fax: (961-9) 856376.
Branch Manager: Ms. Roula F. Kmeid

GHOBEYRI
Hoteit Bldg., Shiyah Blvd., Mousharrafieh Square.
Tel: (961-1) 541125. Fax: (961-1) 272342.
Branch Manager: Mrs. Lina A. Hayek

HADATH
El-Ain Square, Main Road.
Tel: (961-5) 464050. Fax: (961-5) 471854.
SOS Branch Manager: Mr. Pierre A. Mezher

HAZMIEH
Dar Assayad Bldg., Saïd Freiha Street, Hazmieh Roundabout.
Tel: (961-5) 451850. Fax: (961-5) 457963.
Senior Branch Manager: Mrs. Karla M. Ghaoui

HORSH TABET
Central Business Center, Saint Antoine de Padoue Street.
Tel: (961-1) 480483. Fax: (961-1) 480423.
Branch Manager: Mrs. Rachel J. Sarkis

JAL EL-DIB
Milad Sarkis Bldg., Main Road.
Tel: (961-4) 710393. Fax: (961-4) 710395.
Senior Branch Manager: Mr. Salam N. Dagher

JBEIL
Byblos Sun Bldg., Jbeil Roundabout.
Tel: (961-9) 543890. Fax: (961-9) 543895.
Senior Branch Manager: Mr. Chady F. Kassis

JOUNIEH
La Joconde Center, Fouad Shehab Blvd.
Tel: (961-9) 641660. Fax: (961-9) 644224.
Branch Manager: Mrs. Rana A. Khoury

KHALDEH
Lebanese Commercial Mall, Saida Highway.
Tel: (961-5) 801988. Fax: (961-5) 806405.
Branch Manager: Mrs. Rana N. Mecharrafieh

MANSOURIEH
Kikano Bldg., Main Road.
Tel: (961-4) 533610. Fax: (961-4) 533614.
Branch Manager: Mr. Roger D. Chami

MREIJEH
Mreijeh Plaza Center, Abdallah Yaffi Avenue.
Tel: (961-1) 477980. Fax: (961-1) 477200.
Branch Manager: Mr. Hassan Z. Jaafar

NACCASH – DBAYEH
Naccash – Dbayeh Highway, East Side.
Tel: (961-4) 521671. Fax: (961-4) 521677.
Senior Branch Manager: Mrs. Georgina Y. Nakad

RABIEH
Rabieh First Entrance, Street No. 5.
Tel: (961-4) 405950. Fax: (961-4) 416105.
Senior Branch Manager: Mrs. Marthe A. Nawar

ROUEISS
Hoteit Bldg., Hady Nasrallah Blvd.
Tel: (961-1) 541146. Fax: (961-1) 541149.
Branch Manager: Mr. Majed A. Hajj

ZOUK
Val de Zouk Center, Zouk Mikhael.
Tel: (961-9) 211140. Fax: (961-9) 223603, 225505.
Senior Branch Manager: Mr. Pierre E. Harb

NORTH

AMYOUN
Main Road.
Tel: (961-6) 955600. Fax: (961-6) 955604.
Branch Manager: Mrs. Theodora A. Bachawaty

BATROUN
Batroun Square Center, Main Road No. 7.
Tel: (961-6) 642371. Fax: (961-6) 642347.
Branch Manager: Mr. Tannous N. Abi-Saab

HALBA
Main Road.
Tel: (961-6) 692020. Fax: (961-6) 692024.
Branch Manager: Mr. Ali A. Hammad

SHEKKA
Main Road.
Tel: (961-6) 545379. Fax: (961-6) 541526.
Branch Manager: Mrs. Houda A. Azar

TRIPOLI – AZMI
Fayad Bldg., Azmi Street.
Tel: (961-6) 445590. Fax: (961-6) 435348.
Senior Branch Manager: Mr. Georges A. Khodr

TRIPOLI – EL-BOHSAS
Fattal Tower 1, El-Bohsas Blvd.
Tel: (961-6) 410200. Fax: (961-6) 410799.
Branch Manager: Mr. Mohsen A. Dabliz

TRIPOLI – EL-MINA
Mandarine Bldg., Riad El-Solh Street, El-Mina Blvd.
Tel: (961-6) 205100. Fax: (961-6) 205103.
Branch Manager: Mr. Ziad M. Kabbara

SOUTH

BENT JBEIL
Ahmad Beydoun Bldg., Serail Square.
Tel: (961-7) 450900. Fax: (961-7) 450904.
Branch Manager: Mr. Ayoub I. Khreich

MARJEYOUN
Boulevard Hay El-Serail, Jdeidet Marjeyoun.
Tel: (961-7) 831790. Fax: (961-7) 831794.
Branch Manager: Mr. Marwan F. Massaad

NABATIEH
Office 2000 Bldg., Hassan Kamel El-Sabbah Street.
Tel: (961-7) 767812. Fax: (961-7) 767816.
Branch Manager: Mr. Mohamad H. Noureddine

SAIDA – EAST
Dandashli Bldg., Eastern Blvd.
Tel: (961-7) 751885. Fax: (961-7) 751889.
Branch Manager: Mrs. Sherine M. Assaad

SAIDA – RIAD EL-SOLH
Wakf El-Roum Catholic Bldg., Riad El-Solh Blvd.
Tel: (961-7) 733750. Fax: (961-7) 724561.
Senior Branch Manager: Mr. Mohamad M. Bizri

SAIDA – SOUTH
Moustapha Saad Street.
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Acting Branch Manager: Mrs. Hiba M. Ghaddar

TYRE
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Branch Manager: Ms. Lara Z. Yazbeck

TYRE ABBASSIEH
Tyre North Entrance, Main Road, Abbassieh.
Tel: (961-7) 741830-1-2-3. Fax: (961-7) 741835.
Branch Manager: Mrs. Mounira E. Khalife

AL-ZAIDANIEH
Al-Zaidanieh village, Main Road, Majdelyoun.
Tel: (961-7) 724905. Fax: (961-7) 723639.
Branch Manager: Mrs. Diana A. Assaad

BEKAA

SHTAURA
Daher Bldg., Main Road.
Tel: (961-8) 542960. Fax: (961-8) 544853.
Branch Manager: Ms. Zeina H. Hajj

ZAHLEH
Beshwati Bldg., El-Boulevard.
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Branch Manager: Mrs. Mona K. Doummar

NOVO NETWORK

PALLADIUM DOWNTOWN
Bank Audi Palladium Bldg., Bab Idriss.

ZGHARTA
North Palace Hotel, Kfarhata.

ABC VERDUN MALL
Verdun.

SOLIFAC sal

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P.O. Box: 11-1121 Beirut - Lebanon.
Tel: (961-1) 209200. Fax: (961-1) 209205.

2.0. Turkey

ODEA BANK A.Ş.

Headquarters

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Branches

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Maslak District, Sariyer, Istanbul.
Tel: (90-212) 3048100. Fax: (90-212) 3481835.

GUNESLI
No. 65, Osmanpasa Street, 34209, Baglar District,
Bagcilar, Istanbul.
Tel: (90-212) 4646000. Fax: (90-212) 3481840.
Branch Managers: Ms. Nermin I. Pacaci (Retail);
Mr. Irfan M. Sahinkaya (Commercial)

SUADIYE ANATOLIAN CENTRAL BRANCH
No. 406, Bagdat Street, Suadiye District,
Kadikoy, Istanbul.
Tel: (90-216) 4685400. Fax: (90-212) 3481908.
Branch Managers: Ms. Asli O. Yasar (Retail);
Mr. Hamit M. Gonuldas (Commercial)

KOZYATAGI
No. 12/35, Ataturk Avenue, Sahrayicedid District,
Kadikoy, Istanbul.
Tel: (90-216) 6657000. Fax: (90-212) 3481839.
Branch Manager: Ms. Cagla T. Cavusoglu Yilmaz (Retail)

CADDEBOSTAN
No. 270, Bagdat Avenue, Caddebostan District,
Goztepe, Istanbul.
Tel: (90-216) 4686800. Fax: (90-212) 3481850.
Branch Manager: Ms. Naciye Ebru F. Topdemir (Retail)

NISANTASI
No. 17/2-3, Mim Kemal Oke Street, Harbiye District,
Sisli, Istanbul.
Tel: (90-212) 3738100. Fax: (90-212) 3481853.
Branch Manager: Ms. Umut H. Altayli Yilmaz (Retail)

BEBEK
No. 36, Cevdetpasa Street, 34342, Bebek District,
Besiktas, Istanbul.
Tel: (90-212) 3624700. Fax: (90-212) 3481851.
Branch Manager: Ms. Seren M. Sag (Retail)

BESIKTAS
No.99/3, Barbaros Avenue, Cihannuma District,
Besiktas, Istanbul.
Tel: (90-212) 3961500. Fax: (90-212) 3481879.
Branch Manager: Mr. Derya Asim T. Bayrakci (Retail)

ETILER EUROPE CENTRAL BRANCH
No. 60/A-B, Nispetiye Street, Etiler, Besiktas, Istanbul.
Tel: (90-212) 3591600. Fax: (90-212) 3481872.
Branch Managers: Ms. Ciler Durmaz (Retail);
Ms. Aylin M. Cora (Commercial)

SISLI
No. 169, Halaskargazi Street, Sisli, Istanbul.
Tel: (90-212) 3734300. Fax: (90-212) 3481874.
Branch Manager: Ms. Hulya H. Kuçuk (Retail)

YESILYURT
Eba Apartmani, No. 17A/1, Sipahioglu Street,
Yesilyurt District, Merkez, Bakirkoy, Istanbul.
Tel: (90-212) 4631100. Fax: (90-212) 3481875.
Branch Manager: Ms. Nihal A. Tecir (Retail)

ALTUNIZADE
No. 35/1, Kisikli Avenue, Altunizade District,
Uskudar, Istanbul.
Tel: (90-216) 4001600. Fax: (90-212) 3481886.
Branch Manager: Ms. Alev Y. Dogan (Retail)

HADIMKOY
No. 154-156, Hadimkoy Street, Akcaburgaz District,
Esenyurt, Istanbul.
Tel: (90-212) 8667800. Fax: (90-212) 3481885.
Branch Manager: Mr. Levent A. Bostanci (Commercial
& Retail)

ATASEHIR
No. 59, D.1, Halk Street, Barbaros District, Atasehir,
Istanbul.
Tel: (90-216) 5471200. Fax: (90-212) 3481890.
Branch Managers: Ms. Serap H. Coskun (Retail);
Mr. Hikmet S. Guncan (Commercial)

BOSTANCI
No. 97/A, Semsettin Gunaltay Street, Suadiye District,
Kadikoy, Istanbul.
Tel: (90-216) 5791400. Fax: (90-212) 3481894.
Branch Manager: Ms. Esin I. K. Yurdaer (Retail)

KADIKOY
No 57/A, General Asim Gunduz Street, Caferaga District,
Kadikoy, Istanbul.
Tel: (90-216) 5421300. Fax: (90-212) 3481898.
Branch Manager: Ms. Tansel M. Coklar (Retail)

KARTAL
No. 2, Sehzade Street, Kordonboyu District,
Kartal, Istanbul.
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Branch Manager: Mr . Mehmet P. Sakalli (Retail)

TAKSIM
No. 10/1, Tarlabasi Street, Sehitmuhtar District,
Taksim, Beyoglu, Istanbul.
Tel: (90-212) 3134100. Fax: (90-212) 3481899.
Branch Manager: Ms. Hayal M. Yuksel (Retail)

LEVENT CARSI
No. 2/1, Yasemin Street, Levent District,
Besiktas, Istanbul.
Tel: (90-212) 3395100. Fax: (90-212) 3481903.
Branch Manager: Ms. Hena M. Guvenc (Retail)

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No. 50/52 A, Alemdag Avenue, Ataturk District,
Umraniye, Istanbul.
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Branch Manager: Mr. Memet Emin N. Kaya (Retail)

EMINONU
Hobyar District, Fatih, Istanbul.
Tel: (90-212) 4027000. Fax: (90-212) 3481905.
Branch Manager: Mr. Mehmet Cihat H. Erdogan (Retail)

ALTINTEPE
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Branch Manager: Ms. Esin B. Unlu (Retail)

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CIFTEHAVUZLAR
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Branch Manager: Ms. Seda H. Yanar (Retail)

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Sariyer, Istanbul.
Tel: (90-212) 2608444. Fax: (90-212) 3481919.
Branch Manager: Mr. Aykut S. Mangaloglu (Retail)

ANKARA

ANKARA
Tepe Prime Shopping Mall, Block B, No. 266, Eskisehir
Devlet Street, 9 Km, Dumlupinar District, Cankaya, Ankara.
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Branch Managers: Mr. Mehmet Can A. Aykol (Retail);
Mr. Ahmet O. Yetkiner (Commercial)

GOP
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Branch Managers: Ms. Deniz F. Omay (Retail);
Ms. Filiz A. Yukselen (Commercial)

BALGAT
No. 106 A, Ceyhun Atuf Kansu Street, Ehlibeyt District,
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Tel: (90-312) 5927500. Fax: (90-212) 3481877.
Branch Manager: Ms. Ozlem D. Koseoglu (Retail)

UMITKOY
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IZMIR

IZMIR CORPORATE AND COMMERCIAL CENTER
Megapol Tower Business Center, No. 41, Anadolu Street,
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Tel: (90-232) 4951500. Fax: (90-212) 3481837.
Branch Managers: Ms. Nursel A. Esen (Retail);
Ms. Nur C. Polat Ruscuklu (Commercial)

ALSANCAK
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Branch Manager: Ms. Ebru O. Cindoglu (Retail)

BORNOVA
No. 152, Mustafa Kemal Street, Manavkuyu District,
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Tel: (90-232) 3909300. Fax: (90-212) 3481911.
Branch Manager: Mr. Celal E. Oner (Retail)

HATAY
No. 285-293-A, Inonu Street, Arab Hasan District,
Karabaglar, Izmir.
Tel: (90-232) 2921200. Fax: (90-212) 3481887.
Branch Manager: Ms. Nalan H. Pala (Retail)

BOSTANLI
No. 532/A-B, Cemal Gursel Street, Bostanli District,
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KOCAELI

GEBZE
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Branch Managers: Ms. Nuran S. Yuksel (Retail);
Mr. Hakki Murat S. Onlem (Commercial)

IZMIT CARSI
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Branch Manager: Ms. Nur Esin A. Keles (Retail)

BURSA

BURSA
No. 116, No. 13-14, Izmir Street, Nilufer, Bursa.
Tel: (90-224) 2753400. Fax: (90-224) 2753401.
Branch Managers: Ms. Aysegul H. Ozata (Retail);
Mr. Hasan T. Gorgun (Commercial)

GAZIANTEP

GAZIANTEP
Cazibe Business Center, No. 15/D, Prof. Muammer Aksoy
Avenue, Sehit Kamil, Gaziantep.
Tel: (90-342) 2117400. Fax: (90-212) 3481859.
Branch Managers: Ms. Gamze M. Acar (Retail);
Mr. Soner H. Tanis (Commercial)

ADANA

ADANA
No. 18, Ataturk Street, Resatbey District, Seyhan, Adana.
Tel: (90-322) 4551600. Fax: (90-212) 3481866.
Branch Managers: Ms. Banu U. Gurer (Retail);
Mr. Eray Sevki M. Karabay (Commercial)

KAYSERI

KAYSERI CARSI
No. 21, Serdar Street, Cumhuriyet District,
Melikgazi, Kayseri.
Tel: (90-352) 2071400. Fax: (90-212) 3481870.
Branch Manager: Ms. Rahsan A. Baser (Retail)

DENIZLI

DENIZLI
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Tel: (90-258) 2952000. Fax: (90-212) 3481883.
Branch Managers: Ms. Aliye Ozlem M. Ozkok (Retail);
Ms. Ebru H. Cakir (Commercial)

KONYA

KONYA BUSAN
No. 7/B, Kule Avenue, Feritpasa District, Selcuklu, Konya.
Tel: (90-332) 2216800. Fax: (90-212) 3481880.
Branch Manager: Mr. Kursat M. Dayioglu (Commercial
& Retail)

ANTALYA

ANTALYA
No. 49/A, Metin Kasapoglu Street, Yesilbahce District,
Muratpasa Antalya.
Tel: (90-242) 3204300. Fax: (90-212) 3481902.
Branch Managers: Ms. Ebru E. Savas (Retail);
Mr. Ali Zafer A. Kacar (Commercial)

MUGLA

BODRUM
No. 12, Hasan Resat Oncu Street, Bodrum, Mugla.
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ESKISEHIR

ESKISEHIR
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Tepebasi, Eskisehir.
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MERSIN
No. 20/A, Kuvai Milliye Avenue, Camiserif District,
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Branch Managers: Ms. Pinar E. Asal (Retail);
Mr. Azmi S.Vurucu (Commercial)

HATAY

ISKENDERUN
No. 33B, Ataturk Avenue, Cay District,
Iskenderun, Hatay.
Tel: (90-326) 6291300. Fax: (90-212) 3481900.
Branch Managers: Ms. Canan N. Yerli (Retail);
Ms. Derya M. Basin (Commercial)

TEMPORARY ADDRESS
(*due to the February 2023 earthquake and damages*):
Container building: Ataturk Avenue (next to Ataturk
monument), Iskenderun, Hatay.

SAMSUN

SAMSUN
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