INTERIM FINANCIAL **REPORT**

END-MARCH 2022
(Unaudited)

Bank Audi

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MANAGEMENT DISCUSSION & ANALYSIS

PREPARED ON 26 MAY 2022

1.0. BASIS OF PRESENTATION

The following discussion and analysis has been prepared on 26 May 2022 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 2021 Annual Report (audited) and the Interim Financial Statements in the first quarter of 2021 (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 Board and interpretations issued by the International Financial Reporting Interpretations Committee, the general accounting plan for banks in Lebanon, and the regulations of the Central Bank of Lebanon and the BCC. Such Interim Financial Statements include the results of the Bank and its consolidated subsidiaries as listed in Note 2 to the enclosed Interim Financial Statements as at end-March 2022.

The Lebanese political, financial and monetary crisis and its massive uncertainties continue to weigh heavily on the operating conditions of banks in Lebanon, translating, within continuing government inefficiencies, into a negative economic environment, triggering a deep recession, hyperinflation, the imposition of restrictive measures by all Lebanese banks underscoring an unofficial capital control, an exchange rate crisis and a resulting market differentiation between onshore assets and offshore assets, and accounts subject or not to the official capital control, in addition to the pandemic. Turkey, our second main market of presence, also witnessed increased political and economic volatility leading to a steep currency devaluation and a corollary high inflation along with the pandemic backdrop.

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 in a reasonable timeframe, 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 an adverse opinion on the 2021 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 1,507.5 LBP/ 1 USD. This has resulted in high inflation and an uncontrolled rise in the consumer price index.

In an effort to control the inflation, the Central Bank of Lebanon introduced during 2020 and 2021, several measures including:

(a) Subsidising imports of essential goods at the rate of LBP 1507.5/USD 1 and subsidising imports of Tier 2 food basket products at the Platform "Sayrafa" rate. Both subsidies were lifted in the second half of 2021.

(b) Introducing exceptional measures for bank depositors to withdraw small amounts of cash in LBP from their "local" foreign currency bank accounts at the BdL 151 rate (first at LBP 3,900/USD 1 and currently at LBP 8,000/USD 1, but up to limits set by the Bank.

(c) Introducing 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. The Sayrafa average rate and volume of foreign currency operations are published on the website of the Central Bank of Lebanon.

The restrictive measures adopted by all Lebanese banks in relation to the withdrawal of funds and transfers abroad, are exposing all banks including our Group to increased litigations in Lebanon and abroad. Although litigations is a common occurrence in the banking industry due to the nature of the business and for which the Bank has an established remedial protocol, claims tied to these restrictive measures among others are beyond its control and it continues to carefully consider their impact. 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, Management considers that they may affect negatively the offshore liquidity of the Group, its foreign assets and its foreign currency mismatch.

In light of the prevailing market uncertainties, particularly in Lebanon, it remains to date extremely difficult to build accurate future plans regarding the Bank's business model and its wider strategy. On 20 May 2022, the Lebanese government adopted a resolution program, led by the IMF, paving the way for the long awaited restructuring plan. It still needs to be ratified by the Lebanese parliament (Please refer to Note 1 for further details). Meanwhile, the Bank is continuing to implement measures aiming at reinforcing the Bank's financial standing and strengthening its solvency and ability to withstand additional pressures.

Main priorities revolve again around the consolidation and de-risking of the domestic franchise and operations, and the ring-fencing of foreign entities and branches from Lebanon spill-over effects. To that effect, we have adopted early on the crisis a new direction focusing on following six main pillars as follows: 1- Asset quality; 2- Quality of earnings; 3- Liquidity and ALM; 4- Solvency; 5- Operational and other non-financial risks and 6- Governance.

Main highlights of the strategic direction extend to:
1- Strengthening the Bank's foreign currency liquidity metrics.
2- Maintaining sufficient capital buffers over the minimum regulator capital adequacy levels.
3- Improving asset quality by (i) closely monitoring the lending portfolios, taking early remedial actions on problematic files and maintaining adequate provisioning coverage, and (ii) significantly reducing sovereign debt exposure, especially in foreign currency.
4- Ensuring that foreign entities continue to provide the Group with diversified income generation capacity.
5- Targeting a lean organisational structure by improving operational efficiency and optimising cost structure.

2.0. OPERATING ENVIRONMENT

The year 2022 started with a number of noticeable developments in the country, namely the realisation of a staff-level agreement with the IMF, the end of the diplomatic crisis with GCC countries and the countdown for critical parliamentary and presidential elections. Still, the real economy's outlook for 2022 is highly uncertain and is contingent upon the upcoming political milestones, the realisation of a final agreement with the IMF, the launch of structural reforms and the securing of international assistance from abroad. It can deviate between a contraction of -6.5% as projected by the World Bank to an expansion of +2.5% as projected by the IMF.

At the external level, the balance of payment has reported a deficit of USD 1,473 million in the first three months of 2022, against a deficit of USD 847 million in the similar period of last year. The 2022 three-month BoP deficit is the result of the decline in BdL's net foreign assets by USD 1,517 million, while banks' net foreign assets rose by USD 43 million. The latest figures released by the Rafic Hariri International Airport revealed that the airport traffic posted a significant performance over the first three months of 2022 where total number of passengers hiked by 104.5% when compared to the same period of 2021 with the opening up of the global travel amid softened lockdown restrictions worldwide.

At the fiscal policy level, the government approved, in the early months of the year, a budget proposal for 2022, with spending restraint and significant revenue measures that align with IMF requirements, and transferred it to parliament for discussion and ratification. The ratification of a budget law by parliament is one of the most important prerequisites for a final agreement between Lebanon and the Fund, along with official capital controls, fiscal and public debt restructuring strategy, amendment of banking secrecy, audit of external position of BdL and asset quality review of the top 14 banks.

At the monetary level, the significant decline in BdL's reserves comes amid a more significant intervention on the Sayrafa platform within the BdL circular 161, while subsidy intervention has been reduced to a minimum. In parallel, the year-on-year Consultation & Research Institute's index of consumer prices witnessed an increase of 226% in March, while the 12-month moving average recorded an increase of 210%, one of the highest in emerging markets.

At the capital markets level, equity markets reported a pause, after the spectacular surge of last year.

The BSE price index contacted by 3.1% in the first quarter of the year, following a 48.1% increase in the index in 2021 driven by the rise in Solidere shares. This year's quasi stability in prices occurred within the context of a 23% annual decrease in trading volume year-on-year, moving from USD 66 million in the first quarter of 2021 to USD 51 million in the first quarter of 2022.

The banking sector analysis since the onset of Lebanon's financial crisis, i.e between October 2019 and March 2022, shows the following trends:

- A cumulative decline in total deposits by USD 40.3 billion amid noticeable withdrawals and loan redemption: customers' deposits contracted from USD 168.4 billion at end-October 2019 to USD 128.1 billion at end-March 2022, the equivalent of 23.9%. Residents' deposits contracted by USD 28.8 billion, while non-resident deposits dropped by USD 11.5 billion. FX deposits contracted by USD 22.8 billion over the two and a half year period to reach USD 100.8 billion, while LBP deposits dropped by LBP 26.1 trillion to reach LBP 41.1 trillion as at end-March 2022. As a result, deposit dollarization went up from 73.4% in October 2019 to 78.7% in March 2022.

- A cumulative decline in total loans by USD 28.2 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 26.0 billion, the equivalent of 52.0%. The loan redemption represents 70% of the deposit contraction over the past two and a half years. FX loans contracted by USD 23.7 billion, while LBP loans dropped by LBP 6.7 trillion over the two and a half year period. As a result, loan dollarization went down from 70.4% in October 2019 to 55.4% in March 2022.

- A cumulative decline in LBP deposit interest rate by 816 basis points and in USD deposit interest rate by 645 basis points: the average LBP deposit interest rate dropped from 9.03% at end-October 2019 to 0.87% at end-March 2022, while the average USD deposit interest rate declined from 6.61% to 0.16% over the same period. The spread between USD deposit rate and 3-month Libor reached close to nil in March 2022, 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-March 2022. 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 10.3 billion in banks Eurobonds portfolio amid net domestic sales and provisioning: Lebanese banks' Eurobond portfolio reached USD 4.5 billion at end-March 2022, 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 4.4 billion amid banks' net losses: Shareholders' equity contracted from USD 20.6 billion at end-October 2019 to USD 16.2 billion at end-March 2022 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 rising operating expenses tied to the surging inflation, in addition to significant provisions to face private and sovereign risks at large.

Looking forward, the banking sector awaits the ratification of a full program with the IMF that would represent a watchdog for reform implementation, to be followed by the securing of international assistance for Lebanon. This is the only pathway to gradually exit from the crisis and move towards an era of a gradual containment of risks and threats as a prerequisite for economic recovery in the medium to long term.

LEBANON'S MAJOR ECONOMIC INDICATORS

(USD Million)	1Q 2021	1Q 2022	Var 1Q 22/1Q 21
Real sector			
Merchandise at the Port (000 tons)	1,271.10	1,256.30	-1.20%
Number of passengers at the Airport (000s)	536.78	1,097.53	104.50%
New car sales (unit)	574	1,573	174.00%
Number of property sales operations*	2,071	17,997	769.00%
Value of property sales (USD million)*	290	2,697	829.30%
Monetary sector			
Var M3	1,409	-6,881	-588.50%
Velocity	0.29	0.26	-8.60%
Cleared checks	9,997	8,526	-14.70%
CPI inflation (end-period, %)	149%	226%	77.00%
Public sector			
Gross domestic debt**	60,582	60,549	-0.10%
Foreign debt**	36,681	38,726	5.60%
Total gross debt**	97,263	99,276	2.10%
Public revenues	2,267	-	-
Public expenditures	3,092	-	-
Fiscal deficit	825	-	-
External sector			
Imports	3,329	-	-
Exports	700	-	-
Trade deficit	2,629	-	-
Balance of payments	-847	-1,473	73.90%
Banking sector			
Var: Total assets	-1,780	-2,240	25.80%
% change in assets	-0.90%	-1.30%	-0.30%
Var: Total deposits	-2,191	-1,368	-37.60%
% change in deposits	-1.60%	-1.10%	0.50%
Var: Total credits	-1,965	-1,750	-10.90%
% change in credits	-5.40%	-6.30%	-0.90%

** Month figures for 2021 & 2022-2.*
*** Month figures for 2022-1.*

.Sources: IMF, Lebanon Ministry of Finance, BdL and concerned public and private entities.

3.0. CONSOLIDATED FINANCIAL CONDITION

The Bank operates principally in Lebanon and, accordingly, its financial condition, results of operations and business prospects are closely related to the overall political, social and economic situation in Lebanon, which has been facing a material crisis with unprecedented challenges. The Group also has operations in Turkey, as well as in Europe and a number of countries in the MENA region. Hence, its operating conditions are also affected by the political and economic developments affecting these jurisdictions, and more specifically Turkey accounting for the largest footprint outside Lebanon.

The first quarter of 2022 witnessed a continuation of the broad concerns over the unprecedented challenges stemming from the new operating environment in Lebanon, as well as the adverse political and economic developments affecting more specifically Turkey. On this backdrop, Management has been actively pursuing a new strategic direction focusing on six "going-concern" pillars and aiming at allowing the Group to navigate through the alternating challenging of the upcoming transitory period featuring the implementation of an economic reform plan for Lebanon and evolving regulatory requirements.

Six Going-concern Pillars

This direction encompasses the implementation of the following measures revolving primarily on strengthening the position of the Parent entity in terms of its balance sheet quality, solvency, liquidity and operational performance, while abiding to the regulatory requirements as issued by the Central Bank of Lebanon:

1. Asset quality – aiming at structurally enhancing the quality of the Group's balance sheet. The Bank continues with the deleveraging its loan portfolios in Lebanon and Turkey, while strengthening its provision coverages for both performing and Stage 3 exposures. Significant efforts were made to reduce the size of Odea Bank and Bank Audi Lebanon Stage 3 loans by applying various remedial actions including but not limited to settlement of debt through payment in kind. In particular in the first quarter of 2022, consolidated gross loans decreased by USD 147 million to stand at USD 5.5 billion as at end-March 2022, with USD 107 million of the decrease accounted for by Bank Audi Lebanon to reach USD 2.6 billion at the same date. In parallel, gross loans of Odea Bank dropped by USD 67 million to stand at USD 1.9 billion as at end-March 2022.

Consolidated Stage 3 loans mirrored the same contracting trend translating in an improvement in the ratio of consolidated Stage 3 loans to gross loans to 12.86% as at end-March 2022 compared to 13.33% as at end-December 2021. The ratio of Stage 3 loans to gross loans of Bank Audi Lebanon represented 21.90% as at end-March 2022 compared to 21.67% as at end-December 2021. The ratio of stage 3 loans to gross loans of Odea Bank in Turkey represented 6.77% as at end-March 2022 compared to 7.53% as at end-December 2021.

2. Quality of earnings – involving extending efforts across entities to attract low cost and stable funding and cost rationalisation targeting a lean operating structure. Within that scope, Bank Audi redefined its business model in Lebanon to support the quality of its earnings by optimising sources of revenues while containing expenses to the maximum extent possible. It attempted at re-building an activity of external accounts, paving the way for the revival of traditional banking operations by introducing a comprehensive product suite based on unrestricted business (covering both fresh USD and LBP-denominated activities), be it fresh foreign currency or local currency to be able to adapt to the new market needs. This includes select lending from the foreign entities or in Local currency and the "External Account" which allowed companies to make unrestricted daily foreign currency transactions (in cash or trade instruments) while facilitating LBP cash management and storage for businesses in a market where cash in circulation has increased exponentially, creating tremendous challenges for the companies. The latter has also equally supported an improvement in non-financial commissions and other non-interest income revenues generated principally on the continuously growing "fresh" External Accounts in USD.

At Odea Bank in Turkey, net interest income increased significantly in the first quarter of 2022 driven by managed cost of funds, along with the repricing of lending activities and high yielding securities. In parallel, non-interest income was also boosted by net commission predominantly from brokerage, credit-related and trade finance services amid a continued growth of other financial income representing realised gains on MtM transactions impacted by the evolution of yields on CPI linked securities.

In parallel, at the cost side, Bank Audi Lebanon continues to implement a strict cost optimisation plan aiming at rightsizing its branch network and human capital with respect to the current level of business activity. Excessive inflation driven by the dollarization of commodities and the reliance for some services of the prices of the domestic oil grid have totally offset the impact of the cost optimisation measures undertaken. General operating expenses of Lebanese entities reached USD 114 million in the first quarter of 2022 compared to USD 77 million in the corresponding period of 2021. Same trends are observed in Odea Bank as Turkey has witnessed a sharp increase in inflation reaching year-on year 74%. General operating expenses of Odea Bank increased as such by 23.3% over the same period, to stand at USD 31.7 million in the first quarter of 2022.

The growth in total revenues has nonetheless offset the inflationary effect on the Group's cost base leaving an almost stable earning generation flow. Consolidated normalised net profits, after removing one-offs net losses representing mostly the cost of supporting other pillars, reached USD 184 million in the first quarter of 2020 compared to USD 186 million in the first quarter of 2021.

3. Liquidity & ALM – to strengthen the Bank's foreign currency liquidity and accumulate sufficient liquidity buffers to cover external accounts balances, international commitments and other operating expenses billed in fresh dollars. Months before the issuance of regulatory directives aiming at reinforcing liquidity, the Bank actively supported liquidity buildup initiatives listed in details in the Management Discussion and Analysis section of the 2021 Annual Report.

As at 31 March 2022, the foreign liquidity of Bank Audi Lebanon free from any obligation continued to exceed the regulatory requirement as per BdL Basic Circular 154 of 3% of customers' deposits reaching 6.6%. The sustained application of BdL Circular 161 allowing customers to withdraw their monthly LBP cash limit allocation in USD banknotes, has no impact on this liquidity. Nonetheless, this measure is leading to tighter liquidity on LBP banknotes in the market and makes it harder and costlier for banks to exceed their cash allocation with BdL, previously done by resorting to purchases of bank notes from third parties.

Conversion of the USD 347 Million Subordinated Debt

In the first quarter of 2022, with the aim to decrease its international commitments, and following a decision taken by the General Assembly in its meeting dated 12 February 2021, the Bank proceeded with the issuance of new unsecured subordinated notes under Lebanese law, the 2027 subordinated notes, to be subscribed to through the voluntary exchange of the existing subordinated notes amounting to USD 347 million and maturing in 2023. Following couple of note holders meeting which were not quorate, noteholders met on 28 February 2022 in a meeting which was quorate (with 68.08% of the aggregate principal amount of the outstanding existing notes then outstanding being represented) and passed on the resolution (with 92.98% of the votes being cast in favor of the resolution) to effect the conversion.

On 15 July 2021, the Bank received Banque du Liban's approval for the exchange offer. On 28 March 2022, the Bank received a letter from Banque du Liban with the amended approval, passed by a decision of the Central Council of Banque du Liban 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.

Subsequently, on 19 April 2022, the Bank proceeded with the mandatory redemption of all of the existing notes, the issuance of the new notes and the settlement of the exchange offer. The terms and conditions of the new notes are summarised below:

- 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 principal amount. The settlement date of the put option is 19 May 2022.

- In connection to the Exchange, a cash amount of 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.

On 11 May 2022, the General Assembly resolved to approve: 1) 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 USD 230 million had exercised the put option out of USD 347 million outstanding (66% of the total).

4. Solvency – aiming at maintaining sufficient capital buffers over the minimum regulatory requirement levels, allowing the Group to support the management of potential non-performing exposures caused by the Lebanese crisis. Since 2019, the Bank implemented several initiatives that allowed the capital ratio to progress noticeably and largely exceed the minimum requirement without resorting to the forbearance measures, which Banque du Liban introduced to Circular 44. CET1 progressed to 6.6% at end-December 2019 to reach 10.0% despite the accumulated net losses across the period and the negative impact on equity from the Turkish Lira devaluation. Total CAR progressed from 11.3% as at end-December 2019 to 14.5% as at end-December 2021. In the first quarter of 2021, the consolidated capital adequacy ratios improved marginally, triggered by a faster contraction in consolidated risk-weighted assets than in regulatory capital. CET1 ratio reached 10.1% while Tier 1 ratio stood at 13.1% despite the inclusion of only 75% of Stage 1 loans ECL instead of 100% as at end-December 2021. Nonetheless, Tier 2 capital increased by USD 62 million driven by the integration into Tier 2 of 25% of ECL stage 1 as per Basic Circular 44. Accordingly Tier 2 capital ratio improved to 2.0%, translating into a total capital adequacy ratio of 15.0% as at end-March 2022 compared to 14.5% as at end-December 2021. Based on the financials as at end-March 2022, Management does not foresee a significant impact of the conversion of the USD 347 million subordinated debt since 68% of the issuance was already amortised.

5. Operational and other non-financial risks – the Bank has been running on crisis management mode to counter the risk arising from the deteriorating economic, political and social environment. The restrictive measures adopted by all Lebanese banks in relation to the withdrawal of funds and transfers abroad, are exposing all banks including our Group to increased litigations in Lebanon and abroad. Although litigations is a common occurrence in the banking industry due to the nature of the business and for which we have an established dealing protocol, claims tied to these restrictive measures, among others, are beyond our control and we continue to carefully consider their impact. 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, we consider that they may affect negatively the offshore liquidity of the Group, its foreign assets and its foreign currency mismatch.

6. Governance – the operational consolidation and structure optimisation initiated in 2020 were accompanied by a number of measures aiming at enhancing the group Governance framework and further ring-fencing the foreign entities of the Group from the Lebanon risk. This has been made on four fronts, namely (i) the consolidation of operations for better efficiency, (ii) the optimisation of the organisation structure, (iii) the compliance with regulatory requirements while enhancing disclosures and transparency measures, and finally (iv) the ring-fencing of foreign entities from Lebanese and BASAL inherent risks. At the date of this report, the main focus continues to revolve around making sustainable progress on the Governance front, with a particular focus on the control and risk-based oversight role of the Board of Directors to accompany the particular requirements of the current challenging environment while mobilising the Bank's Executive, Control, and Oversight committees to ensure the continued effectiveness of the control framework. We endeavour as well to maintain abidance by the CSR principles to ensure sustainable development, taking into account the economic, social and environmental parameters of our operations in Lebanon and abroad.

Strict Abidance by Regulatory Requirements

In light of the significant monetary and financial crisis in Lebanon and its massive ramification since 2019, regulatory authorities in Lebanon were compelled to issue some exceptional guidelines/circulars aiming at reinforcing the financial standing of banks operating in Lebanon in the face of those adverse developments. A comprehensive list of the key regulatory requirements is included in the Management Discussion and Analysis in the 2021 Annual Report. Bank Audi has endeavoured to respond proactively and abide by all the regulatory requirements, as highlighted in details in the said list.

Activity Analysis

In light of the prevailing market uncertainties, particularly in Lebanon, it remains to date extremely difficult to build accurate future growth plans. On 20 May 2022, the Lebanese government adopted a resolution program, led by the IMF, paving the way for the long awaited restructuring plan. It still needs to be ratified by the Lebanese parliament (Please refer to Note 1 for further details). Meanwhile, the Bank is continuing to run the Bank as it had do since the outset of the crisis, and implement measures aiming at reinforcing the Bank's financial standing and strengthening its solvency and ability to withstand additional pressures. Within that context, the Group registered a stable performance in the first quarter of 2022.

Consolidated assets of Bank Audi stood at USD 26.7 billion as at end-March 2022, compared to USD 26.9 billion as at end-December 2021, i.e. decreasing by a mere USD 108 million in the first quarter of 2022. In parallel, consolidated assets under management moved from 8.4 billion as at end-December 2021 to USD 8 million as at end-March 2022, contracting by USD 350 million or 4.2% over the period. The latter decrease is mostly accounted for by AuMs booked in Switzerland and Lebanon impacted by marked conditions (USD 267 million decrease in total) while fiduciary deposits contracted by USD 83 million. Subsequently, consolidated assets including fiduciary deposits, security accounts and AuMs aggregated to USD 34.8 billion at end-March 2022, compared to USD 35.2 billion as at end-December 2021.

The table below sets out the evolution of the Group's financial position as at end-March 2022 as compared to end-December 2021:

SUMMARISED STATEMENT OF FINANCIAL POSITION

(USD Million)	Dec-21	Mar-22	Change in Vol. Mar-22/Dec-21	%
Cash & placements with banks and central banks	14,412	14,847	435	3.0%
Portfolio securities	5,712	5,503	-209	-3.7%
Loans to customers	4,743	4,516	-227	-4.8%
Other assets	1,555	1,457	-98	-6.3%
Fixed assets	435	426	-9	-2.1%
Assets= Liabilities + Equity	26,857	26,749	-108	-0.4%
Bank deposits	2,758	2,896	138	5.0%
Customers' deposits	20,101	19,851	-250	-1.2%
Subordinated debt	817	821	4	0.4%
Other liabilities	689	660	-29	-4.1%
Shareholders' equity (profit included)	2,492	2,521	29	1.2%
AUMs + fid. dep. + cust. acc.	8,365	8,015	-350	-4.2%
Assets + AUMS	35,222	34,764	-458	-1.3%

The contraction of consolidated assets by USD 108 million in the quarter of 2022 predominantly reveals a decrease in consolidated deposits by USD 249 million on the funding side, met by a decrease in consolidated net loans by USD 227 million, underscoring the significant collection efforts undertaken at this level. As at end-March 2022, consolidated customers' deposits reached USD 19.8 billion while consolidated net loans stood at USD 4.5 billion compared to USD 20.1 billion and USD 4.7 billion respectively as at end-December 2021. The decrease in consolidated customers' deposits is predominantly attributed to Lebanese entities amid a USD 29 million decrease in entities outside Lebanon. In details, customers' deposits in Odea Bank in Turkey decreased by a net USD 100 million over the same period (one-third of which is real decrease), totally offsetting the increase in deposits in entities operating in Europe. On the loans front, entities operating abroad account for 40.4% of the decrease in consolidated net loans as net loans of Lebanese entities contracted by USD 135 million.

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-21	Mar-22	Change	Dec-21	Mar-22	Change	Dec-21	Mar-22	Change
By region									
Lebanon	72.1%	71.8%	-0.3%	71.9%	71.7%	-0.2%	41.7%	39.3%	-2.5%
Abroad	27.9%	28.2%	0.3%	28.1%	28.3%	0.2%	58.3%	60.7%	2.5%

The distribution of the consolidated activity by geography as at end-March 2022 reveals a predominance of Lebanese entities and Turkish operations, representing the main pillars of the Group, along with European entities. 71.8% of consolidated assets were generated by entities operating in Lebanon versus 28.2% from entities abroad, of which 14.9% from Odea Bank and 12.6% from entities operating in Europe. At the same date, the contribution of entities abroad to consolidated customers' deposits represented 28.3%, compared to 28.1% as at end-December 2021, of which 13.7% contributed by Odea Bank in Turkey and 14.1% by operations in Europe. Those entities account as well for 60.7% of consolidated net loans, of which 38.2% contributed by Odea Bank in Turkey and 20.3% by operations in Europe.

3.1. ASSET ALLOCATION

A comparative analysis of the consolidated assets allocation as at end-March 2022 compared to end-December 2022 reveals a decrease in the share of almost all asset classes in favour of consolidated cash and placements an almost similar structure across those dates, as shown by the table below:

ASSETS BREAKDOWN

	Dec-21		Mar-22	
(USD Million)	Vol.	%	Vol.	%
Cash & placements with banks and central banks	14,412	53.7%	14,847	55.5%
Portfolio securities	5,712	21.3%	5,503	20.6%
Net loans	4,743	17.7%	4,516	16.7%
Other assets	1,555	5.7%	1,457	5.2%
Fixed assets	435	1.6%	426	2%
Total assets	26,857	100%	26,749	100%

A similar analysis of asset classes relative to consolidated customers' deposits across those dates shows a similar trend: the Bank's consolidated cash and placements with central banks and banks (excluding certificates of deposit issued by the Central Bank) represented 74.8% as at end-March 2022, as compared to 71.7% as at end-December 2021, while portfolio securities represented 27.7% of customers' deposits as at end-March 2022, as compared to 28.4% as at end-December 2021 and consolidated loans to deposits ratio contracted from 23.6% as at end-December 2021 to 22.7% as at end-March 2022. The latter decrease is justified by a faster decrease in consolidated net loans (4.8%) than of consolidate customers' deposits (1.2%) over the period.

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) moved from USD 14.4 billion as at end-December 2021 to USD 14.8 billion as at end-September 2022, i.e. an increase by USD 435 million. They stood to represent 74.8% of customers' deposits as at end-March 2022 compared to 71.7% as at end-December 2021.

The table below sets out a breakdown of placements with central banks and banks by type and currency as at end-March 2022:

PLACEMENT WITH CENTRAL BANK AND BANKS (EXCLUDING CDs)

(USD Million)	LBP	USD	EUR	TRY	Others	TOTAL
Central banks	**3,092**	**7,967**	**943**	**68**	**899**	**12,969**
o.w. Reserves requirements	574	1,888	9	0		2,472
o.w. Cash deposits	2,518	6,078	933	68	899	10,497
Placements with banks	**1**	**1,424**	**179**	**91**	**184**	**1,879**
o.w. Deposits with banks	0	1,424	179	26	184	1,814
o.w. Loans to banks and financial institutions and reverse repurchase agreements	0.3	0		65		65
Total liquidity	**3,093**	**9,390**	**1,122**	**159**	**1,083**	**14,847**

The Bank's placements with central banks and banks in Lebanese Pounds are essentially composed of cash and deposits with the Central Bank of Lebanon. Placements in Lebanese Pounds increased from USD 2.4 billion as at end-December 2021 to stand at USD 3.1 billion as at end-March 2021, representing an increase by USD 679 million. The increase is predominantly accounted for by Treasury bills maturing in the first two months of 2022 for USD 558 million.

The Bank's placements with central banks and banks in foreign currency consist of cash 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 placements with central banks and banks in foreign currencies decreased by USD 244 million, of which a decrease in cash deposits at central Banks by USD 201 million and in placements in with banks by USD 36 million.

As a percentage of consolidated customers' deposits denominated in foreign currencies, placements with central banks and banks in foreign currencies stood at 69.4% as at end-March 2022, compared to 69.7% as at end-December 2021. Placements with central banks in foreign currencies represented 58.4% of consolidated customers' deposits compared to 58.9% as at end-December 2021. In parallel, placements

with banks in foreign currencies to consolidated customers' deposits in foreign currencies increased in from 10.3% as at end-December 2021 to 10.8% as at end-March 2022.

As at 31 March 2022, 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, reaching 6.6%. The sustained application of BdL Circular 161 allowing customers to withdraw their monthly LBP cash limit allocation in USD banknotes, has no impact on this liquidity. Nonetheless, this measure is leading to tighter liquidity on LBP banknotes in the market and makes it harder and costlier for banks to exceed their cash allocation with BdL, previously done by resorting to purchases of bank notes from third parties.

Within that context, the Bank continues to implement initiatives to actively support liquidity buildup, particularly foreign liquidity. In the first quarter of 2022, with the aim to decrease its international commitments, and following a decision taken by the General Assembly in its meeting dated 12 February 2021, the Bank proceeded 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 amounting to USD 347 million and maturing in 2023. Following couple of note holders meeting which were not quorate, noteholders met on 28 February 2022 in a meeting which was quorate (with 68.08% of the aggregate principal amount of the outstanding existing notes then outstanding being represented) and passed on the resolution (with 92.98% of the votes being cast in favour of the resolution) to effect the conversion.

On 15 July 2021, the Bank received Banque du Liban's approval for the exchange offer. On 28 March 2022, the Bank received a letter from Banque du Liban with the amended approval, passed by a decision of the Central Council of Banque du Liban 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.

Subsequently, on 19 April 2022, the Bank proceeded with the mandatory redemption of all of the existing notes, the issuance of the new notes and the settlement of the exchange offer. The terms and conditions of the new notes are summarised below:

- 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 principal amount. The settlement date of the put option is 19 May 2022.

- In connection to the Exchange, a cash amount of 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.

On 11 May 2022, the General Assembly resolved to approve: 1) granting of a put option in favor 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).

CHANGES IN SECURITIES PORTFOLIO

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-21	Mar-22	Vol.	%
Central Bank of Lebanon certificates of deposit	2,562	2,533	-30	-1.2%
LBP-denominated	94	93	-1	-0.7%
Foreign currency-denominated	2,468	2,440	-29	-1.2%
Net Lebanese Treasury bills and Eurobonds	1,875	1,329	-546	-29.1%
LBP-denominated	1,929	1,371	-558	-28.9%
Foreign currency-denominated	-54	-42	12	-22.4%
Risk-ceded government Eurobonds	67	59	-9	-13.0%
LBP-denominated				
Foreign currency-denominated	67	59	-9	-13.0%
Other non-Lebanese sovereign securities	747	945	198	26.6%
TRY	327	346	19	5.8%
USD	346	527	181	52.5%
EUR	74	72	-2	-2.6%
Other fixed income securities	401	578	177	44.2%
LBP-denominated				
Foreign currency-denominated	401	578	177	44.2%
Equity securities	59	59	0	-0.3%
LBP-denominated	13	13		
Foreign currency-denominated	46	46	0	-0.4%
Total portfolio securities	5,712	5,503	-209	-3.7%

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. The evolution of the Bank's securities portfolio in the first quarter of 2022 reveals a decrease by USD 209 million (-3.7%) to stand at USD 5.5 billion as at end-March 2022, compared to USD 5.7 billion as at end-December 2021. This evolution predominantly reflects a decrease in the Lebanese Treasury bills portfolio by USD 558 million due to a maturing issuance in January 2022, partially offset by an increase in non-Lebanese securities and other fixed income securities.

Lebanese Bonds and Central Bank Certificates of Deposit Portfolio

In terms of exposure to the Central Bank of Lebanon, certificates of deposit in Lebanese Ponds issued by the Central Bank of Lebanon remained stable in the first quarter of 2022 while those denominated in foreign currency decreased by a mere USD 29 million, to stand at USD 2.4 billion as at end-March 2022. When adding the free accounts in foreign currencies placed at the Central Bank of Lebanon as well, the net exposure to the Central Bank of Lebanon in foreign currencies contracted by USD 136 million or 1.3% over the same period, mirroring a decrease in customers' deposits denominated in foreign currencies. This is net of an ECL of USD 194 million taken on this exposure as per regulatory requirement (1.89%) which remained unchanged across the period. Said net exposure stood at USD 10.4 billion as at end-March 2022 compared to USD 10.5 billion as at end-December 2021. Adjusting to the Bank's borrowings from the Central Bank of Lebanon in foreign currencies and corresponding ECL, the said exposure would stand at USD 9.9 billion as at end-March 2022, compared to USD 10 billion as at end-December 2021.

he Group's exposure to Lebanese sovereign Eurobonds net of ECLs, including the risk-ceded government bonds, increased by a mere USD 5 million, moving from USD 20.9 million as at end-December 2021 to USD 25.9 million as at end-March 2022. Irrespective of the increase which was meant to meet the requirements of CLD holders wishing to receive Eurobonds and for the repayment of fiduciary deposits, the outstanding exposure remains immaterial in size especially when factoring that its risk is predominantly ceded to customers.

Non-Lebanese Sovereign Securities

The Bank's non-Lebanese sovereign risk increased by USD 198 million in the first quarter of 2022, from USD 747 million as at end-December 2021 to USD 948 million as at end-March 2022. USD 181 million of this increase is attributed to non-Lebanese sovereign securities in USD, mostly in US Treasury and other securities of sovereign rated A and above, booked by Banque Audi (Suisse) in the context of its assets and liability management to optimise its profitability.

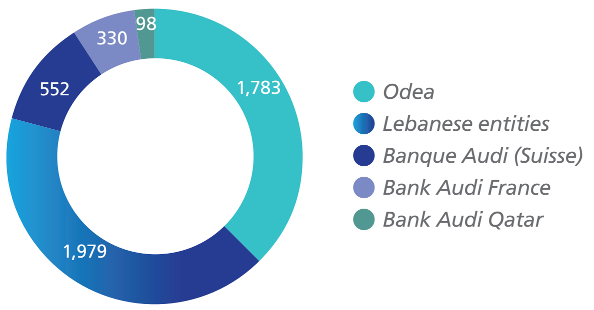
In relative terms, the Bank's portfolio of non-Lebanese sovereign bonds represented 17.2% of the total securities portfolio as at end-March 2022 compared to 13.1% as at end-December 2021. It also represents 5.6% of foreign currency-denominated customers' deposits, compared to 4.3% as at end-December 2021.

Other International Fixed Income Securities

The Bank's exposure to other international fixed income securities increased in the first quarter 2022 by USD 177 million from USD 401 million as at end-December 2021 to USD 578 million as at end-March 2022. This is mainly due to the acquisition of additional fixed income securities issued by A rated banks and financial institutions with a ticket of USD 5 million per issuer. This is to be added to an increase in the book of "Loans and Advances to customers at fair value through P&L". The portfolio is still concentrated on banks and financial institutions issuers which represent 66.8% of the total portfolio, while corporate issuers accounted for 9.3% and remainder 23.9% represented loans to customers at fair value through P&L. The portfolio is characterised by a good level of issuer diversification with the highest single issuer position dropping from 7.4% as at end-December 2021 to 5.4% of the total portfolio as at end-March 2022.

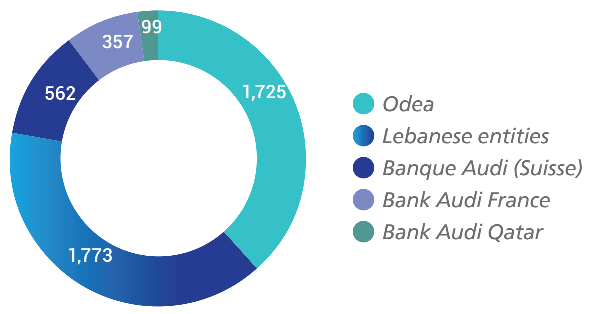
BREAKDOWN OF NET LOANS & ADVANCES BY ENTITY AS AT END-DECEMBER 2021

(USD Million)



Dec-21

BREAKDOWN OF NET LOANS & ADVANCES BY ENTITY AS AT END-MARCH 2022



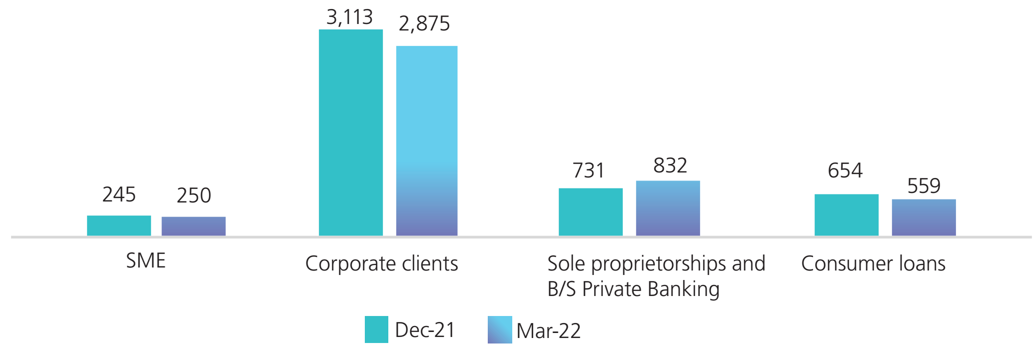
Mar-22

Analysis of Loans by Class of Borrower

The distribution of the Bank's consolidated loan portfolio by type of borrower continues to show a concentration in the corporate segment which constituted 64% of the loan book as at end-March 2022 compared to 66% as at end-December 2021, followed by Individuals & Sole Proprietorship and Private Banking representing 18% of the portfolio (compared to 15% as at end-December 2021).

BREAKDOWN OF NET LOANS & ADVANCES BY TYPE OF CUSTOMER

(USD Million)



Analysis of Loans by Economic Sector

By economic sector, the USD 227 million decrease in consolidated net loans is mostly accounted for by consumer loans with a decrease of USD 95 million, followed by loans to the real estate sector encompassing real estate services and developers with a decrease of USD 77 million. At 21% of the consolidated net loan portfolio, the financial intermediaries sector represents largest industry concentration as at end-March 2022. In absolute terms, the exposure to this sector has dropped by USD 43 million during the first quarter of 2022 (-4%). On the backdrop of the high level of loans denominated in foreign currencies amid the unprecedented high economic volatility witnessed in both Lebanon and Turkey, Management continues to prioritise the contraction of the exposure in risky sectors.

BREAKDOWN OF NET LOANS & ADVANCES BY ECONOMIC SECTOR

(USD Million)	Dec-21	%	Mar-22	%
Manufacturing	599	13%	627	14%
Transportation & communication	50	1%	51	1%
Consumer loans	654	14%	559	12%
Contractors	125	3%	105	2%
Trade	553	12%	514	11%
Real estate services & developers	796	17%	719	16%
Financial intermediaries	992	21%	949	21%
Other loans	975	21%	992	22%
Total portfolio	4,743	100%	4,516	100%

Analysis of Loans by Maturity

The following table shows the breakdown of the loan portfolio by maturity, which has remained relatively stable as at end-March 2021 compared to end-December 2020.

BREAKDOWN OF NET LOANS & ADVANCES BY MATURITY SINCE INCEPTION

(USD Million)	Dec-21 Funded O/S	Dec-21 %	Mar-22 Funded O/S	Mar-22 %
Short-term facilities	1,524	32%	1,540	34%
Medium-term facilities	925	20%	849	19%
Long-term facilities	2,294	48%	2,127	47%
Total	4,743	100%	4,516	100%

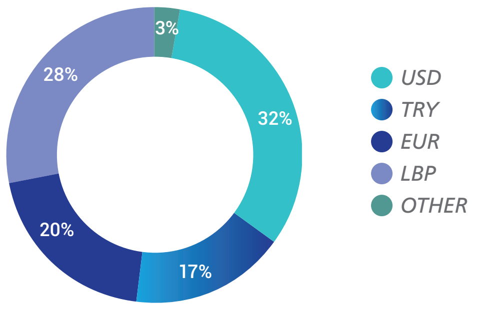
Analysis of Loans by currency

The share of loans denominated in US Dollars remained the same between March 2022 and December 2021 and stood at 32%. At the same date, 34% of loans booked in Lebanese entities are denominated in foreign currencies, which remained the same compared to December 2021. We note that the percentage of loans in FC decreased in 2021 due to the implemented collection efforts on the backdrop of growing concerns of devaluation of Lebanese Pounds, leading to substantial prepayments of FX exposures.

In Odea Bank, 47% of the loan book is denominated in Turkish Lira, with the remainder denominated in foreign currency.

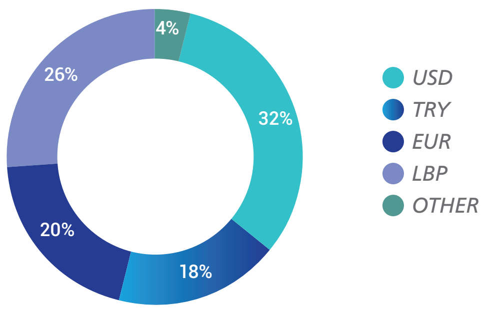
The following charts show the distribution of the Bank's loan portfolio by currency as at end-March 2022 as compared to end-December 2021:

BREAKDOWN OF NET LOANS & ADVANCES BY CURRENCY AS AT END-DECEMBER 2021



Dec-21

BREAKDOWN OF NET LOANS & ADVANCES BY CURRENCY AS AT END-MARCH 2022



Mar-22

Analysis of Loans by Type of Collateral

At end-March 2022, 45% of the consolidated net loan portfolio was secured predominantly by real estate mortgages (29%). The decrease in secured portfolio is due to settlement of loans in Bank Audi Lebanon, an impairment on Lebanese-pledged securities which led to a reclassification of loans and FX effect following the devaluation of the Turkish Lira.

The following table shows the distribution of the Bank's loan portfolio by type of collateral as at end-March 2022 as compared to end-December 2021:

BREAKDOWN OF NET LOANS & ADVANCES BY COLLATERALS

(USD Million)	Dec-21	Dec-21 %	Mar-22	Mar-22 %
Secured	2,490	53%	2,064	46%
Cash co. & bank guarantee	362	8%	360	8%
Real estate mortgage	1,559	33%	1,295	29%
Securities (bonds & shares)	497	10%	383	9%
Vehicles	72	2%	26	1%
Others	97	2%	68	2%
Unsecured	2,155	45%	2,360	53%
Total	4,743	100%	4,492	100%

LOAN QUALITY

The Bank applies the IFRS9 standard in estimating collective and specific provisions for the loan portfolio. The following table shows the Bank's main loan quality indicators as at end-March 2022 as compared to end-December 2021:

(USD Million)	Dec-21	Mar-22	Change Mar-22/ Dec-21
Credit-impaired loans	747	702	-45
o.w. Corporate	560	533	-28
o.w. Retail	186	169	-17
Net loans	4,743	4,516	-227
o.w. Corporate	4,084	3,953	-131
o.w. Retail	658	563	-95
Allowance for ECL Stage 3	498	473	-25
o.w. Corporate	347	330	-16
o.w. Retail	152	143	-9
Allowance for ECL Stages 1 & 2	361	468	107
o.w. Corporate	266	360	94
o.w. Retail	95	107	12
Credit-impaired loans/Gross loans	13.3%	12.9%	-0.5%
o.w. Corporate	11.9%	11.5%	-0.5%
o.w. Retail	20.6%	20.8%	0.2%
Net credit-impaired loans/Gross loans	4.4%	4.2%	-0.2%
o.w. Corporate	4.6%	4.4%	-0.2%
o.w. Retail	3.8%	3.2%	-0.6%
Credit-impaired loans coverage	66.7%	67.4%	0.7%
o.w. Corporate	61.9%	62.0%	0.1%
o.w. Retail	81.3%	84.4%	3.1%
Allowance for ECL Stages 1 & 2/Net loans	7.6%	10.4%	2.7%
o.w. Corporate	6.5%	9.1%	2.6%
o.w. Retail	14.4%	19.1%	4.6%

**As per IFRS 9.*

As at end-March 2022, credit-impaired loans represented 12.9% of gross loans, compared to 13.3% as at end-December 2021, which highlights the sustainable efforts of recovery despite the contraction of the loan portfolio. In absolute terms, credit-impaired loans decreased by USD 45 million or -6% across the period to stand at USD 702 million as at end-March 2022.

In parallel, allowances for ECL Stage 3 decreased by a mere USD 25 million over the period justified by the reduction of the Stage 3 portfolio amid new collection efforts. As a result of the drop in provision compared to the decrease in Stage 3 loans, coverage ratio of the Stage 3 credit-impaired reached to 67.4 % as at end-March 2021 compared to 66.7% as at end-December 2021. The Bank also relies on real guarantees which will increase the coverage to 92% providing a comfortable buffer.

In parallel, Stage 2 loans improved by -9% , contracting in absolute terms by USD 87 million over the same period, while credit allowances on those loans represented 18.5 % as at end-March 2022 compared to 16.9% as at end-December 2021.

As a result, the share of Stage 1 loans in gross loans improved slightly by 1.6% from 68.4% at end-December 2021 to 70% as at end-March 2022, with a decrease in the share of Stage 2 loans in gross loans by 1.11% and of Stage 3 by 0.47% over the same period.

Given the many uncertainties in the absence of clear strategies around the future operating environment in Lebanon and borrowers' ability to meet, in particular, their foreign-currency denominated obligations in the plausible events of regulatory restrictions on FX conversions or an LBP devaluation on the official exchange market, Management believes that the quality of the loan portfolio will remain subject to additional losses in the future.

3.2. FUNDING SOURCES

Funding sources of Bank Audi sal continue to be predominantly driven by private customers' deposits As at end-March 2022, consolidated deposits represented 74.2% of total funding sources compared to 74.8% as at end-December 2021. Banks' deposits, subordinated debt, other liabilities and shareholders' equity had shares in total funding of 10.8%, 3.1%, 2.5% and 9.4% as at end-March 2022 compared to 10.3%, 3.0%, 2.6% and 9.3% as at end-December 2021.

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-21	Mar-22	Vol.	%
Central Bank's deposits	2,377	2,399	22	1%
Time deposit	*2,212*	*2,181*	*-31*	*-1%*
Repurchase Agreements	*165*	*219*	*54*	
Banks' deposits	381	497	116	30%
Sight deposits	*80*	*196*	*117*	*147%*
Time deposits	*302*	*301*	*-1*	*0%*
Customers' and related parties' deposits	20,101	19,851	-250	-1%
Sight deposits	*10,344*	*10,340*	*-4*	*0%*
Time deposits, saving accounts and certificates of deposit	*9,412*	*9,111*	*-300*	*-3%*
Collateral and margins	*345*	*400*	*55*	*16%*
Subordinated loans	817	821	3	0%
Other liabilities	689	660	-28	-4%
Shareholders' equity	2,492	2,521	29	1%
Total	26,857	26,749	-108	0%

CHANGES IN CUSTOMERS' DEPOSITS

Consolidated customers' deposits (including related-party deposits) decreased by USD 249 million in the first quarter of 2022, moving from USD 20.1 billion as at end-December 2021 to USD 19.9 billion as at end-March 2022. The USD 249 million decrease is totally attributed to entities operating in Lebanon registering a decrease by USD 220 million over the same period, while Odea Bank deposits in Turkey decrease by USD 100 million, totally offsetting a positive contribution of entities operating in Europe by USD 73 million. The decrease of customers' deposits at Odea Bank is broken down over a real decrease of USD 35 million with the remainder drop justified by the devaluation of the Turkish Lira versus the US Dollar by 8.7% over the period.

The contraction of deposits of Lebanese entities by USD 220 million reflects a contraction in deposits denominated in foreign currencies by USD 252 million within an increase in deposits denominated in LBP by USD 32 million. Customers' deposits of Lebanese entities stood at USD 14.2 billion as at end-March 2022, of which USD 11.3 million in foreign currencies and USD 2.9 billion denominated in LBP.
Subsequently, Lebanese entities account for a share of 71.7% in consolidated customers' deposits as at end-March 2022, followed by a contribution of 14.1% from entities operating in Europe, 13.7% for Odea Bank, and 0.5% from entities operating in the GCC, almost the same contributions as at end-December 2021.

Analysis of Customers' Deposits by Segment

The share of Retail and Personal Banking deposits in consolidated deposits rose to 86.2% as at end-March 2022 compared to 85.4% as at end-December 2021. Retail and Personal Banking deposits reached USD 17.1 billion as at end-March 2022 compared to USD 17.2 billion as at end-December 2021, decreasing by USD 45 million 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 204 million over the same period.

Corporate and SME deposits moved from USD 2.9 billion at end-December 2021, to stand at USD 2.7 billion as at end-March 2022, representing 13.8% of total deposits (versus 14.6% as at end-December 2021).

Analysis of Customers' Deposits by Type

As at end-March 2022, consolidated customers' deposits evolved to be predominantly composed of 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. Sight and short-term deposits moved from USD 10.69 billion as at end-December 2021 to USD 10.73 billion as at end-March 2022, increasing by USD 51 million. They represented 54.1% of total consolidated deposits as at end-March 2022 compared to 53.2% as at end-December 2020.

In parallel, time deposits that include saving deposits and certificates of deposit decreased by USD 300 million in the first quarter of 2022, from USD 9.4 billion as at end-December 2021 to USD 9.1 billion as at end-March 2022, representing 45.9% of total deposits as at end-March 2022 compared to 46.8% as at end-December 2021.

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-21		Mar-22		Change Mar-22 / Dec-21	
(USD Million)	Volume	Share in Total	Volume	Share in Total	Volume	Share in Total
Lebanese Pound	2,893	14.4%	2,925	14.7%	32	0.3%
US Dollars	13,905	69.2%	13,520	68.1%	-385	-1.1%
Turkish Lira	808	4.0%	990	5.0%	182	1.0%
Euro	1,835	9.1%	1,845	9.3%	11	0.2%
Other currencies	660	3.3%	570	2.9%	-90	-0.4%
Total	20,101	100.0%	19,851	100.0%	-249	

The share of customers' deposits denominated in US Dollars decreased from 69.2% as at end-December 2021 to 68.1% as at end-March 2022, and continued to comprise the bulk of consolidated deposits. In parallel, the share of deposits denominated in Turkish Lira increased by 1.0% to stand at 5% as at end-March 2022, while the shares Lebanese Pounds and Euro increased respectively by 0.3% and 0.2% to stand at 14.7% and 9.3 of consolidated deposits as at end-March 2022 respectively.

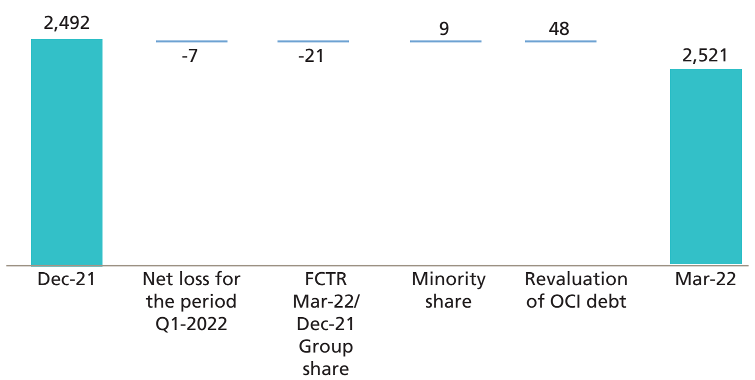
CHANGES IN SHAREHOLDERS' EQUITY

Consolidated shareholders' equity increased by USD 29 million in the first quarter of 2022, from USD 2,492 million as at end-December 2021 to stand at USD 2,521 million as at end-March 2022, representing 9.3% and 9.4% of total consolidated assets respectively. As at end-March 2022, total shareholders' equity comprised USD 1,847 million of common equity group share, in addition to USD 600 million of preferred equity and USD 73 million of minority shares. This is compared to USD 1,829 million, USD 600 million and USD 62 million as at end-December 2021.

The chart below breaks down the USD 29 million decrease of consolidated equity in the first quarter of 2022, with the largest contribution accounted for by USD 47 million of increase in the volume ECL on Stage 1 loans integrated into equity as per regulatory forbearance. Within a decrease in the share of ECL on Stage 1 loans to be integrated in equity from 100% as at end-December 2021 to 75% as at end-March 2022, the latter USD 47 million increase reflect the increase in the ECL on Stage 1 loans booked by the Bank over the period. This is met by an increase in minority share by USD 11 million, which totally offsets the negative contribution of the USD 21 million negative changes in foreign currency translation reserves and the USD 9 million net loss reported in the first quarter of 2022.

EVOLUTION OF CONSOLIDATED EQUITY IN THE FIRST QUARTER OF 2022:

(USD Million)



CAPITAL ADEQUACY RATIO

(USD Million)	Dec-21	Mar-22	Change Mar-22/Dec-21
Risk-weighted assets	21,505	20,990	-515
o.w. Credit risk	18,940	18,456	-484
o.w. Market risk	1,512	1,481	-31
o.w. Operational risk	1,053	1,053	0
Tier 1 capital *(including net profit less proposed dividends)*	2,772	2,740	-31
o.w. Common Tier 1	*2,159*	*2,128*	*-32*
Tier 2 capital	350	412	62
Total regulatory capital	3,121	3,152	30
Common Tier 1 ratio	10.0%	10.1%	0.1%
+ Additional Tier 1 ratio	2.8%	2.9%	0.1%
= Tier 1 ratio	12.9%	13.1%	0.2%
Tier 2 ratio	1.6%	2.0%	0.3%
Total ratio	14.5%	15.0%	0.5%

	Minimum Capital requirements*		
Common Tier 1 ratio	4.5%	4.5%	
+ Additional Tier 1 ratio	1.5%	1.5%	
= Tier 1 ratio	6.0%	6.0%	
Tier 2 ratio	2.0%	2.0%	
Total capital ratio	8.0%	8.0%	

* *BdL IC 567 changed the computation of regulatory ratios in 2020-onwards. Waiver on capital conservation buffer of 2.5% for 20 and 21 before progressively reinstating it.*

In the first quarter of 2021, the consolidated capital adequacy ratios improved marginally triggered by a faster contraction in consolidated risk weighted assets than in regulatory capital. Consolidated risk-weighted assets decreased by USD 515 million over the period moving from USD 21.5 billion as at end-December 2021 to USD 21.0 billion as at end-March 2022, with the decrease predominantly accounted for by credit risk.

In parallel, the Bank's regulatory capital increased by USD 30 million, justified by an increase in Tier 2 capital by USD 62 million totally offsetting the decrease in CET1 capita by USD 32 million. The increase in Tier 2 capital is driven by the integration into Tier 2 of 25% of ECL Stage 1 as per Basic Circular 44 while the decrease in CET1 capital reflects the decrease in the share of the ECL on Stage 1 loans that the Bank is allowed to include in the CET1 from 100% as at end-December 2021 to 75% as at end-March 2022. Based on the aforementioned flows, consolidated CET1 ratio reached 10.1% as at end-March 2022 while Tier 1 ratio stood at 13.1%. Tier 2 capital ratio improved to 2.0% translating into a total capital adequacy ratio of 15.0% as at end-March 2022 compared to 14.5% as at end-December 2021. Based on the financials as at end-Management 2022, Management does not foresee a significant impact of the conversion of the USD 347 million Subordinated debt since 68% of the issuance was already amortised.

3.3. GROUP RESULTS OF OPERATIONS

In the first quarter of 2022, Bank Audi reported a consolidated net loss of 7 million compared to zero profits in the corresponding period of 2021. Since 2019, the line-by-line profit and loss statements includes one-off allowances and flows related to the Lebanese crisis. These mostly encompass provisions against the loan portfolio, one-off commissions paid on operations of which chiefly the markup transactions, FX costs to reduce the open FX position, one-off legal charges and other one-off expenses and provisions. From 2019 till end-2021, those one-off flows amounted to USD 2.8 billion. These are to be added to the one-off flows taken in the first quarter of 2022 and amounting to USD 193 million, a level almost similar to the one reported in the first quarter of 2021 of USD 184 million.

Net of these one-off crisis-related flows, Bank Audi would have achieved operating profits (normalised) of LBP 281 billion in the first quarter of 2022 compared to LBP 277 billion in the first quarter of 2021.Translated at the official rate of 1 USD = 1507.5 LBP, Bank Audi would have reported normalised net profits of USD 186 million in the first quarter of 2022, compared to USD 184 million in the corresponding period of last year.

The following table sets out an overview of the Bank' consolidated financial results in the first nine months of 2021 relative to the corresponding period of 2020:

SUMMARISED CONSOLIDATED INCOME STATEMENT

(USD Million)	QI-21*	QI-22*	YOY Change	
Interest income[1]	253	250	-4	-1.1%
Net of new taxes on financial investments	*-38*	*-30*	*8*	*-20.9%*
Non-interest income	54	90	36	65.8%
Total income	308	341	33	10.8%
Operating expenses	109	153	44	40.9%
Credit expense	16	-3	-19	-120.2%
Income tax	1	5	3	291.1%
Total expenses	126	154	28	22.6%
Net profits after tax (normalised from operations)	182	186	5	2.6%
Results of discontinued operations	3		-3	-100.0%
Net profits after discontinued operations	184	186	2	1.0%
+ Crisis related one-offs	-184	-193	-9	4.9%
= Net profit after tax and one-offs	0	-7	-7	-

[1] Includes interest revenues from financial assets at FVTPL.

By geography, the USD 186 million of normalised net profits achieved in the first nine months of 2021 are mostly generated from the entities operating in Lebanon with USD 162 million (87% of the total), amid a contribution of entities operating outside Lebanon by USD 24 million. The latter is broken down over USD 16.8 million of net profits from Odea Bank, USD 5.5 million from Private Banking entities, USD 1.4 million from Bank Audi France, and USD 0.7 million from Bank Audi Qatar.

In what follows, we analyse the line-by-line flows of normalised profits in the quarter of 2022 relative to the corresponding period of last year.

NET INTEREST INCOME

In the first three months of 2022, consolidated net interest income net of taxes stabilised at almost its level of the corresponding period of last year, reaching USD 250 million compared to USD 253 million in the first three months of 2021. By geography, these USD 250 million were generated in the most part by Lebanese entities with USD 217.5 million, followed by Odea Bank with USD 26.2 million, with the remainder accounted by other entities.
This is compared with USD 231.5 million of net interest income achieved in Lebanese entities in the first quarter of 2021, followed by Odea Bank with USD 16.8 million, with the remainder accounted for by other entities. While the decrease in net income generation in Lebanese entities is mostly attributed to a contraction of the activity with average assets decreasing by 2%, Odea Bank's interest income increased by 56% year-on-year driven by managed cost of funds, repricing activities in the lending book and achieving high-yield in the securities portfolio.

Subsequently, consolidated net spread improved year-on-year by 0.87%, from 2.91% in the first quarter of 2021 to 3.78% in the first quarter of 2022. Spread in Lebanese entities was stable across both dates, standing at 5.2% amid the lowest cost of deposit ever achieved and justified by the informal capital control. In parallel, Odea Bank's spread has increased from 1.25% in the first quarter of 2021 to 2.65% in the quarter of 2022, driven by the aforementioned drivers.

NON-INTEREST INCOME

Normalised consolidated non-interest income increased by USD 36 million over the period, from USD 54 million in the first quarter of 2021 to USD 90 million in the first quarter of 2022. This increase is broken down over USD 41 million increase in Lebanese entities, totally offsetting a negative contribution by USD 4.9 million in Odea Bank, explained by a negative translation effect following the devaluation of the Turkish Lira versus the USD over the period. In Turkish Lira, non-interest income of Odea Bank moved from TRY 231 million in the first quarter of 2021 to TRY 331 million in the first quarter of 2022, reporting a growth by 43%. This increase stemmed from higher credit-related fees and brokerage commisisons driven by growing AuM business turnover, as well as higher trading income in the form of realised gains on sale of bonds, customer sales transactions and market to market volatility, and some sales gains on the assets held for resale and collection activities.

The USD 41 million increase in non-interest income in Lebanese entities is broken down over USD 18.8 million of additional commission booked mostly on transactions, USD 9.1 million of additional gains from financials instruments, and USD 13 million of additional gains on FX operations.

Normalised consolidated fees and commissions hence rose from USD 34.5 million in the first quarter of 2021 to USD 50 million in the first quarter of 2022, accounting for 0.75% of average assets in the first quarter of 2022 compared to 0.40% in the corresponding period of 2021.

Non-interest income accounted for 1.36% of average assets as at end-March 2022, compared to 0.63% as at end-March 2021.

TOTAL OPERATING EXPENSES

In the first quarter of 2022, the Bank's consolidated total operating expenses reached USD 153 million relative to USD 109 million in the first quarter of 2021, registering an increase by USD 44 million, or 41%. The USD 153 million is broken down over USD 75 million of staff expenses, USD 69 million of other operating expenses and USD 9.6 million of amortisation and depreciation expenses. By geography, entities operating in Lebanon account for 69% of the consolidated general operating expenses, with the remainder accounted for by entities operating outside Lebanon.

Bank Audi Lebanon continues to implement a strict cost optimisation plan aiming at rightsizing its branch network and human capital with respect to the current level of business activity. Excessive inflation driven by the dollarization of commodities and the reliance for some services of the prices of the domestic oil grid have totally offset the impact of the cost optimisation measures undertaken. General operating expenses of Lebanese entities reached USD 114 million in the first quarter of 2022 compared to USD 77 million in the corresponding period of 2021. Same trends are observed in Odea Bank as Turkey has witnessed a sharp increase in inflation reaching year-on year 74%. General operating expenses of Odea Bank increased as such from TRY 180 million in the first quarter of 2021 to TRY 439 million in the first quarter of 2022, corresponding to a growth of 244%. Thanks to the devaluation of the TRY versus the US Dollar, it had a lower impact at consolidation level. In US Dollar terms, total general expense of Odea Bank grew by 23.3% over the same period to stand at USD 31.7 million in the first quarter of 2022.

Based on a faster growth in total general operating expenses by 40.9% than in total operating income by 10.8%, the cost to income ratio deteriorated by 9.6%, from 35.3% in the quarter of 2021 to 44.9% in the quarter of 2022.

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 2022, Bank Audi's normalised return on average assets stood at 2.81% compared to 2.09% in the corresponding period of last year, underscoring a stable performance.

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

KEY PERFORMANCE METRICS

	QI-21*	QI-22*	Change
Spread	2.91%	3.78%	0.87%
+ Non-interest income / AA	0.63%	1.36%	0.74%
= Asset utilisation	3.53%	5.14%	1.61%
X Net operating margin	59.04%	54.66%	-4.37%
o.w. Cost to income	35.31%	44.92%	9.62%
o.w. Provisons	5.27%	-0.96%	-6.23%
o.w. Tax cost	0.39%	1.37%	0.98%
= ROAA	2.09%	2.81%	0.72%
X Leverage	11.91	10.60	-1.31
= ROAE	24.84%	29.78%	4.95%
ROACE	7.68%	9.62%	1.94%

** Based on normalised consolidated income statement.*

02

FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED INCOME STATEMENT

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)

	Notes	Unaudited for the Period from 1 January to 31 March 2022 LBP Million	Unaudited for the Period from 1 January to 31 March 2021 LBP Million
CONTINUING OPERATIONS			
Interest and similar income		555,632	663,737
Interest and similar expense		(188,080)	(274,165)
Net interest income		**367,552**	389,572
Fee and commission income		87,499	60,842
Fee and commission expense		(52,544)	(100,626)
Net fee and commission (expense)		**34,955**	(39,784)
Net trading loss		(13,414)	(94,083)
Net loss on sale of financial assets at amortised cost		(728)	(271)
Non-interest revenues from financial assets at fair value through other comprehensive income		-	62
Other operating income		8,155	6,609
Total operating income		**396,520**	262,105
Net impairment loss on financial assets	4	(153,730)	(86,296)
Net operating income		**242,790**	175,809
Personnel expenses		(124,604)	(101,674)
Other operating expenses		(105,081)	(57,847)
Depreciation of property and equipment and right-of-use assets		(10,150)	(13,318)
Amortisation of intangible assets		(4,263)	(5,041)
Total operating expenses		**(244,098)**	(177,880)
Operating loss		**(1,308)**	(2,071)
Net loss on revaluation and disposal of fixed assets		(195)	(382)
Loss before tax from continuing operations		**(1,503)**	(2,453)
Income tax		(9,454)	(1,803)
Loss for the period from continuing operations		**(10,957)**	(4,256)
DISCONTINUED OPERATIONS			
Profit for the period from discontinued operations, net of tax		-	4,256
Loss for the period		**(10,957)**	-
Attributable to:			
Equity holders of the parent		**(13,623)**	(1,986)
Loss for the period from continuing operations		(13,623)	(6,242)
Profit for the period from discontinued operations		-	4,256
Non-controlling interests		**2,666**	1,986
Profit for the period from continuing operations		2,666	1,986
Profit for the period from discontinued operations		-	-
		(10,957)	-
Loss per share:			
		LBP	LBP
Basic and diluted loss per share		(23)	-
Basic and diluted loss per share from continuing operations		(23)	(9)
Basic and diluted earnings per share from discontinued operations		-	9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)

	Notes	Unaudited for the Period from 1 January to 31 March 2022 LBP Million	Unaudited for the Period from 1 January to 31 March 2021 LBP Million
Loss for the period from continuing operations		(10,957)	(4,256)
Profit for the period from discontinued operations	16	-	4,256
Other comprehensive income (loss) that will be reclassified to the income statement in subsequent periods from continuing operations			
Foreign currency translation			
Exchange differences on translation of foreign operations		(43,699)	(97,041)
Net foreign currency translation		(43,699)	(97,041)
Cash flow hedge			
Net hedging losses arising during the period		(1,367)	(2,195)
Loss reclassified to income statement		124	1,617
Tax effects		59	160
Net change in cash flow hedge		(1,184)	(418)
Debt instruments at fair value through other comprehensive income			
Change in fair value during the year		121,577	(44,125)
Tax effects		(22,837)	8,808
Net gain (loss) on debt instruments at fair value through other comprehensive income		98,740	(35,317)
Total other comprehensive gain (loss) that will be reclassified to the income statement in subsequent periods from continuing operations		53,857	(132,776)
Other comprehensive income (loss) that will not be reclassified to the income statement in subsequent periods from continuing operations			
Revaluation on land and buildings			
Revaluation gain		311	-
Net gain on revaluation oflands and building		311	-
Remeasurement (losses) gains on defined benefit plans			
Actuarial gain on defined benefits plans		70	84
Net remeasurement gains on defined benefit plans		70	84
Equity instruments at fair value through other comprehensive income			
Net unrealised gains (losses)		177	(3,510)
Tax effects		-	21
Net unrealised losses on equity instruments at fair value through other comprehensive income		177	(3,489)
Total other comprehensive gain (loss) that will not be reclassified to the income statement in subsequent periods from continuing operations		558	(3,405)
Other comprehensive gain loss for the period from continuing operations, net of tax		54,415	(136,264)
Other comprehensive income for the period from discontinued operations, net of tax		-	(8,971
Total comprehensive loss for the period from continuing operations, net of tax		54,415	(140,520)
Total comprehensive income for the period from discontinued operations, net of tax	16	-	(4,715)
Total comprehensive loss for the period, net of tax		43,458	(145,235)
Attributable to:			
Equity holders of the parent		26,787	(119,544)
Non-controlling interests		16,671	(25,690)
		43,458	(145,234)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022 (UNAUDITED)

	Notes	Unaudited 31 March 2021 LBP Million	Audited 31 December 2021 LBP Million
ASSETS			
Cash and balances with central banks		19,550,081	18,917,582
Due from banks and financial institutions		2,734,443	2,680,674
Loans to banks and financial institutions and reverse repurchase agreements		97,842	127,877
Derivative financial instruments	7	198,404	287,067
Financial assets at fair value through profit or loss	8	295,635	161,038
Loans and advances to customers at amortised cost	9	6,739,894	7,079,127
Loans and advances to related parties at amortised cost		67,842	70,485
Debtors by acceptances		24,794	55,891
Financial assets at amortised cost	10	6,867,666	7,284,909
Financial assets at fair value through other comprehensive income	11	1,132,595	1,164,880
Investments in associates		14,581	14,581
Property and equipment and right-of-use assets		578,591	589,211
Intangible assets		62,997	65,876
Non-current assets held for sale		126,725	131,662
Other assets	12	1,710,182	1,764,616
Deferred tax assets		79,645	48,552
Goodwill		42,425	42,419
TOTAL ASSETS		40,324,342	40,486,447
LIABILITIES			
Due to central banks	13	3,543,110	3,544,463
Due to banks and financial institutions		749,340	574,999
Due to banks under repurchase agreements		73,776	38,610
Derivative financial instruments	7	204,816	330,824
Customers' deposits	14	29,799,782	30,156,393
Deposits from related parties		126,156	145,494
Debt issued and other borrowed funds	15	1,237,430	1,232,271
Engagements by acceptances		24,794	55,891
Other liabilities	16	393,965	358,782
Current tax liabilities		64,281	6,614
Deferred tax liabilities		6,401	2,356
Provisions for risks and charges	17	300,807	283,557
TOTAL LIABILITIES		36,524,658	36,730,254
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		1,870,347	1,869,717
Distributable reserves		496,533	496,533
Treasury shares		(9,190)	(9,190)
Accumulated losses		(376,791)	(90,155)
Other components of equity	18	(1,140,589)	(1,181,287)
Result of the period		(13,623)	(285,751)
		3,688,922	3,662,102
NON-CONTROLLING INTERESTS		110,762	94,091
TOTAL SHAREHOLDERS' EQUITY		3,799,684	3,756,193
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		40,324,342	40,486,447

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022 (UNAUDITED)

	Attributable to the Equity Holders of the Parent														
	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 Retained Earnings	Other Components of Equity	Reserves Related to Assets Held for Sale	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	LBP Million
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)	3,688,920	94,091	3,756,193
Net loss for the year	-	-	-	-	-	-	-	-	-	-	-	(13,623)	(13,623)	2,666	(10,957)
Other comprehensive loss	-	-	-	-	-	-	-	-	-	40,410	-	-	40,410	14,005	54,415
Total comprehensive loss	-	-	-	-	-	-	-		-	40,410	-	(13,623)	26,787	16,671	43,458
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)	(376,791)	(1,140,589)	-	(13,623)	3,688,922	110,762	3,799,684
Balance at 1 January 2021	982,859	10,020	902,290	894,480	72,586	2,209,661	17,270	(9,190)	767,489	(753,456)	(587,877)	(225,147)	4,280,985	167,435	4,448,420
Net loss for the period from continuing operations	-	-	-	-	-	-	-	-	-	-	-	(6,242)	(6,242)	1,986	(4,256)
Net loss for the period from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	4,256	4,256	-	4,256
Other comprehensive loss from continuing operations	-	-	-	-	-	-	-	-	-	(108,587)	-	-	(108,587)	(27,676)	(133,263)
Other comprehensive loss from discontinued operations	-	-	-	-	-	-	-	-	-	-	(8,971)	-	(8,971)	-	(8,971)
	-														
Total comprehensive loss	-	-	-	-	-	-	-	-	-	(108,587)	(8,971)	(1,986)	(119,544)	(25,690)	(145,234)
	-														
Appropriation of 2020 profits	-	-	-	-	-	6,698	-	-	(231,845)	-	-	225,147	-	-	-
Entities deconsolidated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of FVTOCI	-	-	-	-	-	-	-	-	18,000	-	-	-	18,000	-	18,000
Transfer between reserves	-	-	-	-	-	(4,263)	-	-	3,595	668	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	779	-	-	-	779	-	779
Balance at 31 March 2021	982,859	10,020	902,290	894,480	72,586	2,212,096	17,270	(9,190)	558,018	(861,375)	(596,848)	(1,986)	4,180,220	141,745	4,321,965

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 MARCH 2022 (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, the Middle East and North Africa.

The consolidated financial statements were authorised for issue in accordance with the Board of Directors' resolution on 2 June 2022.

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 unofficial 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 1,507.5 USD/LBP. 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, driving a currency crisis, high inflation and 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 1,507.5 USD/LBP (the official exchange rate). During 2021, this subsidy was lifted.

(b) Introduced the Platform Rate, currently at 3,900 USD/LBP, 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 unofficial capital controls), and tossing Lebanon in hyperinflation and major economic collapse.

As a result of the unofficial 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 unofficial 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 unofficial 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 May 20, 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 May 15.

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 bank shareholders and large depositors.

The plan makes 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.

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)

Following the end of the IMF virtual mission conducted from 24 January to 11 February with the Lebanese authorities on the framework and policies of an economic reform program that can be supported by the Fund, the IMF issued a release on Lebanon, saying that the unprecedented and complex nature of the Lebanese crisis requires a comprehensive economic and financial reform program to stabilise the economy, address deep-seated challenges, and lay the ground for sustainable and strong growth. Obtaining broad based buy-in for this multi-year program will be fundamental for its timely and decisive implementation. At the same time, strong upfront actions will be necessary to start turning the economy around and rebuilding confidence.

According to the IMF, Lebanon's economic program would need to include targeted and time bound actions across the following five pillars:

- Fiscal reforms that ensure debt sustainability but also space to invest in social spending and reconstruction efforts.

- Restructuring of the financial sector to strengthen confidence and support the recovery.

- Reforming state-owned enterprises, and particularly the energy sector to provide better services without draining public resources.

- Strengthening governance, anti-corruption, and AML/CFT frameworks to enhance transparency and accountability.

- A credible monetary and exchange rate system.

During the mission, progress was made in agreeing on these necessary reform areas, although more work is needed to translate them into concrete policies as per the IMF release. There is a clearer understanding of the unprecedented size of the financial sector's losses that would need to be addressed transparently consistent with the hierarchy of claims while protecting small depositors, as already envisaged by the authorities. The 2022 emergency budget presents an opportunity to start addressing the dire fiscal situation while being mindful of the financing constraints.

The Fund stated that it will be important to develop a medium-term fiscal strategy that allows the government to invest in critically-needed social spending to support the people of Lebanon and enables reconstruction efforts while being consistent with debt sustainability. The authorities' plans to strengthen competition and start addressing the energy sector problems are a promising start, although careful sequencing and strong implementation are required. Finally, decisive action by the authorities is needed to tackle the deep-seated problem of corruption and strengthening transparency, including by accelerating the launch of the procurement commission and lifting the bank secrecy law or amending it in line with international best practice. The IMF team welcomed the open and constructive discussions with the Lebanese authorities, as well as representatives of civil society and the private sector, which have enriched our understanding of the situation. The team will remain closely engaged, and discussions are continuing, to help the authorities formulate a reform program that can address Lebanon's economic and financial challenges.

On 7 April 2022, the IMF concluded a two-week mission to Beirut with an announcement of a staff level agreement for a USD 3 billion, 46-month Extended Fund Facility (EFF). This agreement is subject to approval by IMF Management and the Executive Board. Timely implementation of all prior actions and confirmation of international partners' financial support is required before formal approval by the Executive Board. Prior actions include: (i) cabinet/parliamentary approval of a bank restructuring strategy and enabling legislation, in conjunction with an audit of the 14 largest banks; (ii) parliamentary approval of a reformed bank secrecy law; (iii) completion of the Central Bank of Lebanon's audit; (iv) a restructuring of the outstanding commercial debt (including the Eurobonds); (v) parliamentary approval of the 2022 budget; and (vi) unification by the Central Bank of Lebanon of the exchange rates for authorised current account transactions.

The implementation of the prior actions is further complicated by the upcoming political agenda, with parliamentary elections due in May and presidential elections due before end of October.

Beirut Port Explosion

On 4 August 2020, a large explosion occurred at the port of the city of Beirut, causing casualties and material damages across the capital of Lebanon. The Beirut Port explosion affected several individuals and businesses, and contributed to further deterioration of the economic environment and disruption of businesses, leading to further expected credit losses charges. The World Bank estimated the direct and indirect damages to the Lebanese economy as a result of the Beirut Port explosion at circa USD 8 billion.

COVID-19

The COVID-19 pandemic has had, and continues to have, a material impact on businesses around the world and the economic environments in which they operate. It has caused disruption to businesses and economic activities and increased the level of uncertainty in domestic and international markets. Regulators and governments across the globe have introduced schemes to provide financial support to parts of the economy most impacted by the COVID-19 pandemic.

In the case of the Bank, similar to many entities for which the operating environment is mostly in Lebanon, the impact of COVID-19 cannot be isolated and assessed independently from the economic crisis that the country is witnessing. COVID-19 is adding up to the severity of the economic downturn from a commercial, regulatory and risk perspective.

Future impairment charges, already subject to high uncertainty and volatility due to the severe crisis in Lebanon, may be subject to further uncertainty and volatility as a result of the COVID-19 pandemic and related containment and lockdown measures. More adverse economic scenarios and macro-economic variables with higher probabilities are considered for expected credit losses financial impact.

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 the 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 the Platform Rate up to limits set by the Bank. The resulting foreign currencies should be sold to the Central Bank of Lebanon. 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 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, 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%, 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). The circular, however, changed the requirement for the recognition of expected credit losses in banks' financial statements from applying at a "maximum" the loss rate adopted for regulatory expected credit losses calculations, to applying it at a "minimum". In addition, the circular introduced the following measures:

- 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.
- 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.
- 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.

- 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 Stages 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 the banks' importing customers, based on opened letters of credits during any of the years 2017, 2018 and 2019, and without a minimum threshold.
- Requesting from banks to maintain a current account with a foreign correspondent bank offshore, free of any obligations (liquidity abroad). Such account 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.
- 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 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 per 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.

• 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 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. 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, 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 Intermediary 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 it reconstitutes it by 31 December 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's accounts in foreign currencies whether directly or indirectly.

• Intermediate Circular 600 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 LBP 8,000 USD/LBP up to a maximum limit of USD 3,000 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 until 31 July 2022.

• 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.

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 financial statements at the official published exchange rate as follows:

	2022		2021	
	Rate as at 31 March	Average Rate for the Three-month Period Ended 31 March	Rate as at 31 December	Average Rate for the three-month Period Ended 31 March
	LBP	LBP	LBP	LBP
US Dollar	1,507.50	1,507.50	1,507.50	1,507.50
Euro	1,676.64	1,630,56	1,701.52	1,786.92
Swiss Franc	1,630.96	1,630.56	1,639.48	1,653.63
Turkish Lira	102.84	109.00	111.75	172.84
Jordanian Dinar	-	-	2,126.23	2,126.23
Egyptian Pound	-	-	95.88	95.98
Saudi Riyal	401.84	401.75	401.53	401.89
Qatari Riyal	412.56	413.18	414.03	413.04
Iraqi Dinar	-	-	1.03	1.03

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 the Platform Rate up to limits set by their bank. The limits set by the banks in Lebanon had monthly averages of USD 3,000 per bank account. The "Platform Rate" was 1 USD/LBP 3,900 throughout the period from the issuance of the circular. During 2021, it was increased to 1 USD/LBP 8,000.

• On 10 May 2021, the Central Bank of Lebanon issued Basic Circular 157 setting the framework of exceptional measures for foreign-currency operations. Hence banks operating in Lebanon must process customers' FX operations (buy and sell) related to their personal or commercial needs on the electronic platform "Sayrafa". Transactions with customers encompass purchase and sale of foreign currencies banknotes against LBP, as well as operations from/to foreign currencies external accounts against LBP. The 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: The Sayrafa platform is not available for the purchase and sale of and "local" foreign currency bank accounts which are subject to unofficial capital controls.

	Rate as at 31 March 2022	Average Rate for the Period from 31 December 2021 to 31 March 2022	Rate as at 31 December 2021	Average Rate for the period from 10 May to December 2021
	LBP	LBP	LBP	LBP
US Dollar	22,600	21,738	22,700	16,266

• 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 rate USD/LBP 12,000, noting that 50% of the amount will be paid in cash and 50% will be credited to a payment card.

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 and these consolidated financial statements do not include adjustments from any future change in the official published exchange rate. The impact of the valuation of the assets and liabilities in foreign currencies at a different rate is expected to be significant and will be recognised in these consolidated financial statements once the revamping of the peg is implemented by the Lebanese government. Foreign currency mismatch is detailed in Note 26 to these consolidated financial statements.

As at March 2022, 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. Due to the high levels of uncertainties, the lack of observable indicators, and the lack 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 financial statements once the debt restructuring has been defined conclusively by the government and all uncertainties and constraints are resolved and the mechanism for allocating losses by asset class and currency is clear and conclusive. Maximum exposures to the credit risk of the Central Bank of Lebanon and the Lebanese government and the recognised loss allowances, as well as their staging, are detailed in Note 25 to these consolidated financial statements.

As a result of the negative economic conditions and the deepening of the recession, the credit quality of the private loans portfolio concentrated in Lebanon has significantly deteriorated since the last quarter of 2019. 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. The Bank has recorded significant amounts of expected credit losses during the last quarter of 2019 and during 2020. Loss allowances on the Group's portfolio of these private loans 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 25 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, the Platform 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. Unofficial 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. Due to recent developments and the increasing trend in judgments ruled in favour of the plaintiffs and customers during 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 26). The amount cannot be determined presently.

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.

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 restructuring of the government debt securities, the effects of the restructuring of the Central Bank of Lebanon balance-sheet and the effects on its private loan portfolio.

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.

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 spill-over 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: enhancing the 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; and
6. Governance involving sustaining: 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 the 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 stand alone 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.
• Disposing of the majority of its Republic of Lebanon (RoL) Eurobonds portfolio during Q1-2020. As at 31 March 2022, Bank Audi sal's net exposure to RoL Eurobonds is only USD 7 million (USD 15 million on a consolidated basis).
• 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:
o Building up on the synergies achieved from the merger of both Audi Private Bank sal and Audi Investment Bank sal under Bank Audi sal.
o Implementing a cost optimisation plan.

All of these measures have helped strengthen the Bank's financial position, including international liquidity and solvency metrics. As at 31 March 2022, consolidated capital adequacy ratios stood at 10.14%, 13.06% and 15.02% for CET1, Tier 1 and Total CAR respectively, above the minimum required levels of 4.5%, 6% and 8% for 2020-2021 and 7%, 8.5% and 10.5% (including 2.5% capital conservation buffer) required by 2024. Part of the ratios' improvement between December 2020 and December 2021 is attributable to the deconsolidation of the Jordan and Iraq branches and Bank Audi Egypt which were completed during April 2021.

The Bank has also prepared financial projections covering future years until 2024, taking into account various additional planned actions, including:
• Strengthening its financial condition by using all of its future consolidated profits for that purpose.
• Continuing to deleverage its loan portfolio booked in Lebanon during 2021.
• Increasing significantly its international foreign currency liquidity position.

The Bank is unable to predict the response of the Central Bank of Lebanon on its submitted roadmap, as well as the level of its adherence with the banking regulations and its planned actions, nor it is able to predict the measures that might be taken by the regulator in that regard. Once the Bank receives an official feedback from the Central Bank of Lebanon, Management will therefore be able to assess its impact on the financial statements of the Group.

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, the COVID-19 pandemic, the explosion of the Beirut Port, 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 unofficial 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 six-month period ended 31 March 2022 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 2021. In addition, results for the three months ended 31 March 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

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 2022 and 2021, 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 office reported 3-year and 12-month cumulative rates of inflation of 732% and 4%, respectively, as of 31 March 2022 (31 December 2021: 753% and 224%). Qualitative indicators, following the deteriorating economic condition and currency controls, also support the conclusion that Lebanon is a hyperinflationary economy for accounting purposes for periods ending on or after 31 December 2020.

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

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

The effects of the application of IAS 29 are 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 1,507.5 USD/LBP 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 facing Lebanon.

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:

IFRS 9 Financial Instruments – Fees in the "10 per Cent" Test for Derecognition of Financial Liabilities
As part of its 2018-2020 annual improvements to the IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments are not expected to have a material impact on the Group.

2.3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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 inaccounting policies and the correction of errors. Also, they clarify how entities use measurement techniquesand 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 thatperiod. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to 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 are not expected to 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 are not expected to have a material impact on the Group.

2.4. 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 2022	31 December 2021			
Bank Audi France sa	100.00	100.00	France	Banking (Commercial)	EUR
Banque Audi (Suisse) SA	100.00	100.00	Switzerland	Banking (Private)	CHF
Bank Audi sae	-	100.00	Egypt	Banking (Commercial)	EGP
Audi Capital (KSA)	99.99	99.99	Saudi Arabia	Financial Services	SAR
Bank Audi LLC (Qatar)	100.00	100.00	Qatar	Banking Services	QAR
Société Libanaise 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; and
- 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.

2.5. 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 2021.

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.

A) 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 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 2022				
	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	169,121	4,421	367,552
Non-interest income					
Net fee and commission (expense)	35,153	36,194	(40,680)	4,288	34,955
Financial operations	-	7,725	49,205	(71,072)	(14,142)
Other operating income	24	1,318	4	6,809	8,155
Total non-interest income	35,177	45,237	8,529	(59,975)	28,968
Total operating income	**106,578**	**167,846**	**177,650**	**(55,554)**	**396,520**
Net impairment loss on financial assets	(146,684)	(864)	(6,182)	-	(153,730)
Net operating income	**(40,106)**	**166,982**	**171,468**	**(55,554)**	**242,790**

	Unaudited 31 March 2021				
	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	81,040	112,513	185,325	10,694	389,572
Non-interest income					
Net fee and commission expense	17,386	29,127	(88,266)	1,939	(39,784)
Financial operations	(25)	9,279	(132,297)	28,751	(94,292)
Other operating income	1,059	166	1	5,383	6,609
Total non-interest expense	18,420	38,602	(220,562)	36,073	(127,467)
Total operating income	99,460	151,115	(35,237)	46,767	262,105
Net impairment loss on financial assets	(71,253)	(14,441)	(602)	-	(86,296)
Net operating income	28,207	136,674	(35,237)	46,767	175,809

FINANCIAL POSITION INFORMATION

	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**
Investments in associates	-	-	-	14,581	14,581
Total assets	5,116,403	4,383,095	29,810,965	1,013,879	40,324,342
Total liabilities	3,943,796	24,950,796	6,691,807	938,261	36,524,660

	31 December 2021 (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	-	-	-	14,581	14,581
Total assets	5,447,834	4,132,252	29,773,961	1,132,400	40,486,447
Total liabilities	4,504,543	25,845,954	5,470,929	908,828	36,730,254

Capital expenditures amounting to LBP 4,315 million at end of 31 March 2022 (31 December 2021: LBP 47,755 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 554,263 million at end of March 2022 (31 March 2021: LBP 442,931 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 2022 LBP Million	Unaudited 31 March 2022 LBP Million
Interest and similar income		
Central Bank of Lebanon	463,496	395,416
Lebanese sovereign	90,767	47,515
	554,263	442,931

B) 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 2022 (Unaudited)			
	Lebanon LBP Million	MENAT LBP Million	Europe LBP Million	**Total LBP Million**
Net interest income	327,716	33,531	6,305	367,552
Non-interest income				
Net fee and commission income	11,160	7,065	16,730	34,955
Financial operations	(56,048)	33,424	8,482	(14,142)
Other operating income	2,115	5,014	1,026	8,155
Total non-interest income	(42,773)	45,503	26,238	28,968
Total external operating income	**284,943**	**79,034**	**32,543**	**396,520**
Net impairment loss on financial assets	(141,290)	(11,462)	(978)	(153,730)
Net external operating income	**143,653**	**67,572**	**31,565**	**242,790**

	31 March 2021 (Unaudited)			
	Lebanon LBP Million	MENAT LBP Million	Europe LBP Million	Total LBP Million
Net interest income	347,465	35,233	6,874	389,572
Non-interest income				
Net fee and commission expense	(70,192)	10,163	20,245	(39,784)
Financial operations	(137,303)	2,313	40,698	(94,292)
Other operating income	1,606	4,837	166	6,609
Total non-interest expense	(205,889)	17,313	61,109	(127,467)
Total external operating income	141,576	52,546	67,983	262,105
Net impairment loss on financial assets	(63,418)	(24,760)	1,882	(86,296)
Net external operating income	78,158	27,786	69,865	175,809

FINANCIAL POSITION INFORMATION

	31 March 2022 (Unaudited)			
	Lebanon LBP Million	MENAT LBP Million	Europe LBP Million	**Total LBP Million**
Capital expenditures	144	3,970	201	4,315
Investments in associates	14,581	-	-	14,581
Total assets	29,025,712	6,198,218	5,100,412	40,324,342
Total liabilities	26,367,083	5,681,186	4,476,391	36,524,660

	31 December 2021 (Audited)			
	Lebanon LBP Million	MENAT LBP Million	Europe LBP Million	Total LBP Million
Capital expenditures	14,373	22,393	10,989	47,755
Investments in associates	14,581	-	-	14,581
Total assets	29,352,980	6,294,713	4,838,754	40,486,447
Total liabilities	26,709,871	5,790,816	4,229,567	36,730,254

4. FEE AND COMMISSION EXPENSE

	Unaudited 31 March 2022 LBP Million	Unaudited 31 March 2021 LBP Million
Mark-up commission*	1,067	86,959
Commission for LBP banknotes**	43,304	-
Electronic Banking	4,476	3,614
Brokerage and custody fees	2,019	3,962
Commercial Banking expenses	880	1,001
Other fees and commissions	798	5,090
	52,544	100,626

** In order to build up offshore liquidity, the Group introduced the "multiplier factor" which entails inciting depositors of foreign currency international liquidity, cash deposited or incoming border transfers to convert these funds into local foreign currency deposits after the application of multiplier factors during 2020. Book losses from these transactions amounted to LBP 1,067 million during for the three-month period ended 31 March 2022 (31 March 2021: LBP 86,959 million) and were recorded under commission expense.*

*** In order to service customers need in LBP-denominated banknotes during periods of shortage, during 2022, the Bank paid a premium for the supply of LBP denominated banknotes amounting to LBP 43,304 million recorded under commission expense.*

5. NET TRADING LOSS

	Unaudited 31 March 2022 LBP Million	Unaudited 31 March 2021 LBP Million
Gain on financial instruments at fair value through profit or loss	34,340	6,788
Foreign exchange	37,092	5,338
Derivatives	9,656	8,187
Loss resulting from exchange of foreign currencies*	(94,520)	(114,422)
Dividends	18	26
	(13,414)	(94,083)

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 2,233 million during the three-month period ended 31 March 2022 (31 March 2021: LBP 965 million).

* During the three-month period ended 31 March 2022 and 31 March 2021, and in order to manage its FX position, the Group engaged in the following transactions:

- On 11 November 2021, the Group obtained the approval of the Central Bank of Lebanon to not sell the latter the foreign currencies purchased through the application of Basic Circular 151. These transactions resulted in a loss of LBP 70,430 million during the three-month period ended 31 March 2021.

- During the three-month period ended 31 March 2022, the Group purchased from its customers foreign currencies at rates below the Platform Rate which resulted in a loss of LBP 94,520 million (31 March 2021: LBP 43,992 million).

6. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

	Unaudited 31 March 2022 LBP Million	Unaudited 31 March 2021 LBP Million
Re-measurements:		
Cash and balances with central banks	77	(247)
Due from banks and financial institutions	(503)	-
Loans and advances to customers at amortised cost	188,218	127,445
Financial assets at amortised cost	5,639	602
Financial guarantees and other commitments	1,003	319
	194,434	128,119
Recoveries:		
Loans and advances to customers at amortised cost	(39,198)	(41,258)
Financial guarantees and other commitments	-	(80)
	(39,198)	(41,338)
Net direct recoveries	(1,506)	(485)
	153,730	86,296

7. 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.). The 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 2022 (Unaudited)	Positive Fair Value LBP Million	Negative Fair Value LBP Million	Notional Amount LBP Million
Derivatives held for trading			
Forward foreign exchange contracts	8,467	13,529	985,638
Forward precious metals contracts	-	11	14,985
Currency swaps	88,445	91,155	3,149,729
Precious metals swaps	1,582	1,222	160,517
Currency options	45,378	27,583	1,975,622
Interest rate swaps	13,397	52,849	2,218,476
Interest rate options	14,626	-	1,356,750
Credit derivatives	-	-	88,509
Equity options	18,467	18,467	92,496
	190,362	204,816	10,042,722
Derivatives held as cash flow hedge			
Interest rate swaps	8,042	-	115,695
Total	198,404	204,816	10,158,417

31 December 2021 (Audited)	Positive Fair Value LBP Million	Negative Fair Value LBP Million	Notional Amount LBP Million
Derivatives held for trading			
Forward foreign exchange contracts	15,108	31,757	769,734
Forward precious metals contracts	12	-	1,041
Currency swaps	173,355	100,801	3,724,259
Precious metals swaps	348	1,212	111,966
Currency options	53,446	24,611	1,217,560
Interest rate swaps	9,926	166,784	2,352,256
Interest rate options	18,883	-	1,507,500
Credit derivatives	-	-	101,683
Equity options	5,659	5,659	37,786
	276,737	330,824	9,823,785
Derivatives held as cash flow hedge			
Interest rate swaps	10,330	-	125,718
	10,330	-	125,718
Total	287,067	330,824	9,949,503

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.

HEDGES OF INTEREST RATE RISK

In 2018, the Group entered into "pay fixed receive floating" interest rate swaps to economically hedge time deposits with Central Bank of Lebanon with a notional amount of LBP 1,582,875 million.

During December 2021, the criteria for hedge accounting were no longer met and hedge accounting was discontinued. The movement of accumulated fair value hedge adjustments included in the carrying amount of the hedged item (time deposits with the Central Bank of Lebanon) was as follows:

	31 December 2021 LBP Million
At 1 January	264,430
Change in fair value	(113,937)
Amount impaired upon discontinued of hedged accounting	(150,493)
At 31 December	-

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited 31 March 2022 LBP Million	Audited 31 December 2021 LBP Million
Lebanese sovereign and Central Bank of Lebanon		
Eurobonds	3,721	1,267
Other sovereign		
Treasury bills and bonds	646	201
Private sector and other securities		
Banks and financial institutions	246,049	113,968
Mutual funds	43,019	43,454
Equity instruments	2,200	2,148
	291,268	159,570
	295,635	161,038

9. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST

	Unaudited 31 March 2022 LBP Million	Audited 31 December 2021 LBP Million
Corporate and SME	5,616,930	5,783,462
Retail and Personal Banking	2,491,645	2,537,135
Public sector	49,072	53,781
	8,157,647	8,374,378
Less: allowance for expected credit losses (Note 25)	(1,417,753)	(1,295,251)
	6,739,894	7,079,127

10. FINANCIAL ASSETS AT AMORTISED COST

	Unaudited 31 March 2022 LBP Million	Audited 31 December 2021 LBP Million
Lebanese sovereign and Central Bank of Lebanon		
Certificates of deposit	3,891,351	3,935,925
Treasury bills	2,066,797	2,907,580
Eurobonds	151,279	140,615
	6,109,427	6,984,120
Other sovereign		
Treasury bills	290,369	22,138
Eurobonds	172,427	183,597
Other governmental securities	13,277	3,752
	476,073	209,487
Private sector and other securities		
Banks and financial institutions debt instruments	390,011	214,016
Corporate debt instruments	95,055	72,046
	485,066	286,062
	7,070,566	7,479,669
Less: allowance for expected credit losses (Note 25)	(202,900)	(194,760)
	6,867,666	7,284,909

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 2022, certificates of deposit amounting to LBP 2,638,000 million (31 December 2021: 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 2022, Lebanese Treasury bills of LBP 1,979,141 million were pledged against term borrowings from the Central Bank of Lebanon (31 December 2021: the same) (Note 13). In addition, as at 31 March 2022, the Group, in agreement with credit-linked depositors, settled deposits amounting to LBP 448,837 million in certificates of deposit with the Central Bank of Lebanon denominated in US Dollars having the same nominal amount (31 December 2021: LBP 439,402 million) (Notes 12 and 14).

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Unaudited 31 March 2022 LBP Million	Audited 31 December 2021 LBP Million
Debt instruments		
Other sovereign		
Treasury bills and bonds	947,346	917,198
Private sector and other securities		
Banks and financial institutions debt instruments	141,580	204,108
	1,088,926	1,121,306
Equity instruments		
Quoted	176	176
Unquoted	43,493	43,398
	43,669	43,574
	1,132,595	1,164,880

12. OTHER ASSETS

	Unaudited 31 March 2022 LBP Million	Audited 31 December 2021 LBP Million
Advances on acquisition of property and equipment	7,236	3,924
Advances on acquisition of intangible assets	2,440	2,434
Prepaid charges	54,094	28,846
Electronic cards and regularisation accounts	24,295	24,603
Receivables related to non-banking operations	17,792	38,287
Advances to staff	20,904	29,681
Hospitalisation and medical care under collection	40,661	41,372
Interest and commissions receivable	904	858
Funds management fees	77	70
Fiscal stamps, bullions and commemorative coins	1,006	1,046
Management and advisory fees	374	1,330
Tax regularisation account	22,755	14,757
Foreign exchange position	98,578	135,245
Other debtor accounts	171,603	162,380
Receivables from Central Bank of Lebanon under leverage arrangements	1,247,463	1,279,783
	1,710,182	1,764,616

As at 31 March 2022, other debtors' accounts include an amount of LBP 70,275 million representing collateral under process of being repossessed against settlement of loans by a subsidiary (31 December 2021: LBP 25,315 million).

RECEIVABLES FROM THE CENTRAL BANK OF LEBANON UNDER LEVERAGE ARRANGEMENTS

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 his 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 105,382 million as at 31 March 2022 (31 December 2021: LBP 118,678 million).

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 948,623 million as at 31 March 2022 (31 December 2021: LBP 951,439 million).

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 certificate of deposits. In agreement with the credit-linked depositors, the Group settled deposits at 31 March 2022 amounting to LBP 448,837 million in such certificates of deposit having the same nominal amount (31 December 2021: LBP 439,402 million) (Notes 10 and 14). 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 gain (loss) (Note 5). Remaining balance related to this transaction amounted to LBP 193,458 million as at 31 March 20221 (31 December 2021: LBP 209,666 million).

FOREIGN EXCHANGE POSITION

Foreign exchange position as at 31 March 2022 consists of accounts receivable from the Central Bank of Lebanon, mainly as a result of application of Basic Circular 159 and 151 and Intermediate Circular 556 (31 December 2021: same).

13. DUE TO CENTRAL BANKS

	Unaudited 31 March 2022 LBP Million	Audited 31 December 2021 LBP Million
Central Bank of Lebanon		
Subsidised loans	563,743	586,913
Term borrowings under leverage arrangements	1,979,141	1,979,141
Other borrowings	721,112	721,112
Accrued interest	17,441	13,148
Other central banks		
Other borrowings	5,985	34,129
Repurchase agreements	255,688	210,020
	3,543,110	3,544,463

SUBSIDISED LOANS

As at 31 March 2022, 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 2021: the same).

TERM BORROWINGS UNDER LEVERAGE ARRANGEMENTS

Leverage arrangements with the Central Bank of Lebanon represent term borrowings denominated in LBP, bearing an interest rate 2% 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 placement and pledged certificates of deposit with the Central Bank of Lebanon in LBP. This agreement qualifies for netting under the requirements of IAS 32.

During the three-month period ended 31 March 2022, in order to reduce the local foreign currency mismatch and increase liquidity in Lebanese Pounds banknotes, the Group settled blocked term placements with the Central Bank of Lebanon amounting to LBP 2,187,865 million with maturities ranging between 2024 and 2028, earning coupon rates between 8.8% and 10.5% and simultaneously deposited term placements with the Central Bank of Lebanon of the same amount with similar maturities and earning coupon rates between 4.5% and 10.5%.

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 also 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 2022 LBP Million	Audited 31 December 2021 LBP Million
Leverage arrangements		
Gross amounts	10,790,245	10,790,245
Amounts offset against[1]		
Placement with the Central Bank of Lebanon	6,173,104	6,173,104
Certificates of deposit with the Central Bank of Lebanon (Note 12)	2,638,000	2,638,000
Net amounts reported on the balance sheet	**1,979,141**	1,979,141
Financial collateral		
Lebanese Treasury bills (Note 12)	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.

As at 31 March 2022, financial assets and financial liabilities that were settled on a net basis amounted to LBP 2,767,399 million (31 December 2021: 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 2022 LBP Million	Audited 31 December 2021 LBP Million
Financial assets at amortised cost - Non-Lebanese government bonds	21,487	19,225
Financial assets at fair value through comprehensive income - Non-Lebanese government bonds	239,145	206,061

14. CUSTOMERS' DEPOSITS

	(Unaudited) 31 March 2022			
	Corporate and SME LBP Million	Retail and Personal Banking LBP Million	Public Sector LBP Million	**Total LBP Million**
Sight deposits	2,487,967	13,033,932	26,445	15,548,344
Time deposits	1,510,138	11,269,666	5,020	12,784,824
Saving accounts	42,760	823,332	-	866,092
Margins on LC's and LG's	61,890	13,238	-	75,128
Other margins	585	-	-	585
Other deposits	4,258	88,975	-	524,809
Bankers' drafts	-	431,576		-
	4,107,600	**25,660,717**	**31,465**	29,799,782
Deposits pledged as collateral				2,849,174

	Audited 31 December 2021			
	Corporate and SME LBP Million	Retail and Personal Banking LBP Million	Public Sector LBP Million	Total LBP Million
Sight deposits	2,667,813	12,857,043	25,066	15,549,922
Time deposits	1,619,262	11,577,136	5,074	13,201,472
Saving accounts	48,830	838,873	-	887,703
Margins on LC's and LG's	74,880	10,271	85	85,236
Other margins	585	-	-	585
Other deposits	6,104	54,542	-	60,646
Bankers' drafts	-	370,829	-	370,829
Deposits pledged as collateral	4,417,474	25,708,694	30,225	30,156,393

Sight deposits include balances of bullion amounting to LBP 175,072 million (31 December 2021: LBP 172,812 million) which were carried at fair value through profit or loss.

Time deposits include balances amounting to LBP 88,509 million as at 31 March 2022 (31 December 2021: LBP 101,683 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 2022, in agreement with such depositors, the Bank settled deposits amounting to LBP 448,837 million incertificates of deposits with the Central Bank of Lebanon denominated in US Dollars and having the same nominal amount (31 December 2021: LBP 439,402 million) (Notes 10 and 12).

Bankers' drafts as at 31 March 2022 and 31 December 2021 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

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.). The notional amounts indicate the volume of transactions outstanding at year-end and are not indicative of either the market risk or credit risk.

	Unaudited 31 March 2022 LBP Million	Audited 31 December 2021 LBP Million
USD 346,730,000 due 16 October 2023 – 6.75%	522,695	522,695
USD 112,500,000 due 11 April 2024 – 6.55% + Libor 6m	169,594	169,594
USD 37,500,000 due 11 April 2024 – 6.55% + Libor 6m	56,531	56,531
USD 276,000,000 due 1 August 2027 – 7.625%	415,216	414,747
Interests payable	73,394	68,704
	1,237,430	1,232,271

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 346,730,000 due 16 October 2023 – 6.75%

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 instructions 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 Banque du Liban's approval for the exchange offer. On 28 March 2022, the Bank received a letter from Banque du Liban with the amended approval, passed by a decision of the Central Council of Banque du Liban 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.

Subsequently, on 19 April 2022, the Bank proceeded with the exchange of all of the existing notes, with the issuance of the new issued notes and the settlement of the exchange offer. The terms and conditions of the new notes are summarised below:

- 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 principal amount. The settlement date of the put option is 19 May 2022.
- In connection to the Exchange, a cash amount of 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.

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) paripassu 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 paripassu 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 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 of resulting from these matters. As at 31 March 2022, deferred interest payable amounted to LBP 34,300 million and was recorded under "Other liabilities" (31 December 2021: same) (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. As of 31 March 2022, the total amount bought back amounted to USD 24 million. Odea Bank A.Ş. has not redeemed or cancelled the shares in circulation, thus selling back any portion of such amounts at any time is completely at Management's discretion.

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 2022 (31 December 2021: the same).

16. OTHER LIABILITIES

	Unaudited 31 March 2022 LBP Million	Audited 31 December 2021 LBP Million
Lease liabilities	35,810	28,488
Accrued expenses	76,491	55,756
Miscellaneous suppliers and other payables	16,202	15,412
Operational taxes	71,588	84,110
Employee accrued benefits	5,916	3,326
Electronic cards and regularisation accounts	29,806	32,029
Social security dues	4,586	5,078
Deferred interest payable	34,300	34,300
Other credit balances	119,266	100,283
	393,965	358,782

17. PROVISIONS FOR RISKS AND CHARGES

	Unaudited 31 March 2022 LBP Million	Audited 31 December 2021 LBP Million
Provisions for risks and charges	129,915	115,526
Provisions for ECL on financial guarantees and commitments	11,896	11,421
End-of-service benefits	158,996	156,610
	300,807	283,557

18. OTHER COMPONENTS OF EQUITY

	Unaudited 31 March 2022					
	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
Balance at 1 January 2022	262,001	(5,584)	(1,359,027)	(76,633)	(2,044)	(1,184,287)
Other comprehensive income from continuing operations	244	71,850	(30,909)	77	(852)	40,410
Transfers between reserves	288	-	-	-	-	288
Balance at 31 March 2022	262,533	66,266	(1,389,936)	(76,556)	(2,896)	(1,140,589)

	Unaudited 31 March 2021					
	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
Balance at 1 January 2021	337,059	20,534	(1,078,654)	(12,451)	(19,944)	(753,456)
Other comprehensive income from continuing operations	-	(31,975)	(76,583)	84	(113)	(108,587)
Transfer between reserves	668	-	-	-	-	668
Balance at 31 March 2021	337,727	(11,441)	(1,155,237)	(12,367)	(20,057)	(861,375)

19. ASSETS AND LIABILITIES HELD FOR SALE

BANK AUDI SAE

On 20 January 2021, the Bank signed a shares purchase agreement for the sale of 34,700,000 shares in Bank Audi sae, comprising the entire issued share capital of the latter. On 15 April 2021, the conditions precedent to completion were satisfied with the execution of the transfer of shares completed on 28 April 2021. The parties agreed on a purchase price for the shares less reductions (if any) made pursuant to the contract. No impairment for Bank Audi sae has been recognised under IFRS 5 as at 31 December 2020. Impairment under IFRS 5 is calculated as the difference between fair value less disposal costs and the carrying value of the disposal group. The fair value is determined by reference to the purchase price agreed upon between the two parties, taking into consideration cash collateral and potential reductions to be made pursuant to the contract. The fair value less disposal costs and the expected contribution exceeds the net asset value as at 31 December 2020.

BANKING OPERATIONS IN JORDAN AND IRAQ

On 29 December 2020, the Bank signed business transfer agreements to sell and transfer the assets of its banking business and operations carried on in Jordan and Iraq (together with the assumed liabilities), excluding certain matters, to a third party and to assume obligations imposed on the Bank under the agreements. The sale and transfer confirmation deed was executed on 11 March 2021. Impairment for the Group's banking operations in Jordan and Iraq has been recognised under IFRS 5 as at 31 December 2020. Impairment under IFRS 5 is calculated as the difference between fair value less disposal costs and the carrying value of the disposal group. The fair value is determined by reference to the purchase price agreed upon between the two parties, taking into consideration cash collateral and reductions made pursuant to the contract.

The disposal groups above meet the requirements for presentation as a discontinued operation. As such, the results, which have been presented as the profit after tax and non-controlling interest in respect of the discontinued operation on the face of the Group income statement, are analysed in the income statement below.

The income statement and statement of comprehensive income below represent three months of results as discontinued operations until 31 March 2021.

	31 March 2021		
	Bank Audi sae LBP Million	Jordan and Iraq Operations LBP Million	Total LBP Million
Interest and similar income	213,844	9,786	223,630
Interest and similar expense	(131,950)	(5,007)	(136,957)
Net interest income	81,894	4,779	86,673
Fee and commission income	14,427	2,558	16,985
Fee and commission expense	(1,449)	(356)	(1,805)
Net fee and commission income	12,978	2,202	15,180
Net gain on financial assets at fair value through profit or loss	1,321	426	1,747
Non-interest revenues from financial assets at fair value through other comprehensive income	332	-	332
Other operating income	59	1	60
Total operating income	96,584	7,408	103,992
Net impairment loss on financial assets	(16,565)	(480)	(17,045)
Net operating income	80,019	6,928	86,947
Personnel expenses	(16,549)	(2,631)	(19,180)
Other operating expenses	(14,011)	(1,965)	(15,976)
Depreciation of property and equipment and right-of-use assets	(2,884)	(682)	(3,566)
Amortisation of intangible assets	(1,223)	(284)	(1,507)
Total operating expenses	**(34,667)**	**(5,562)**	**(40,229)**
Operating profit	45,352	1,366	46,718
Net gain on revaluation and disposal of fixed assets	(120)	-	(120)
Profit before tax	45,232	1,366	46,598
Income tax	(21,038)	(523)	(21,561)
Profit for the period	**24,194**	**843**	**25,037**
Loss for the period from discontinued operations	-	(20,781)	(20,781)
Profit for the year from discontinued operations	24,194	(19,938)	4,256

Other comprehensive income relating to discontinued operations is as follows:

	31 March 2021		
	Bank Audi sae LBP Million	Jordan Operations LBP Million	Total LBP Million
Profit for the year	24,194	(19,938)	4,256
Other comprehensive income (loss) that will be reclassified to the income statement in subsequent periods			
Foreign currency translation			
Exchange differences on translation of foreign operations	1,529	-	1,529
Net foreign currency translation	1,529	-	1,529
Debt instruments at fair value through other comprehensive income			
Change in fair value during the year	(11,626)	-	(11,626)
Gain reclassified to income statement	332	-	332
Tax effects	794	-	794
Net loss on debt instruments at fair value through other comprehensive income	(10,500)	-	(10,500)
Other comprehensive income for the year, net of tax	(8,971)	-	(8,971)
Total comprehensive income for the year, net of tax	15,223	(19,938)	(4,715)

20. CASH AND CASH EQUIVALENTS

	Unaudited 31 March 2022 LBP Million	Audited 31 December 2021 LBP Million	Unaudited 31 March 2021 LBP Million
Cash and balances with central banks	7,703,057	6,402,643	5,947,049
Due from banks and financial institutions	2,730,771	2,639,672	2,027,347
Loans to banks and financial institutions and reverse repurchase agreements	19,752	42,907	42,095
Due to central banks	(261,673)	(244,202)	(461,863)
Due to banks and financial institutions	(405,772)	(195,926)	(442,797)
Due to banks under repurchase agreement	(73,776)	(38,610)	(172,647)
	9,712,359	8,606,484	6,939,184

Cash and balances with central banks include amounts to LBP 2,289,489 million at 31 March 2022 (31 December 2021: LBP 2,263,872 million) representing mandatory reserve deposits and balances.

Cash and cash equivalents include balances in foreign currencies that are subject to unofficial 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 2022 and 31 December 2021:

	Unaudited 31 March 2022 LBP Million	Audited 31 December 2021 LBP Million
Cash and balances with central banks	1,947,381	1,381,982
Due from banks and financial institutions	22,323	19,445
	1,969,704	1,401,427

21. 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 observablemarket 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. However, in light of the high deviation between the parallel market rate and the official 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 financial statements. In the absence of an alternative legal exchange mechanism, 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. Classification within Levels 1 and 2 do not take into consideration the "lack of observability" of the exchange rate.

FAIR VALUE OF FINANCIAL INSTRUMENTS HELD AT FAIR VALUE

Fair value measurement hierarchy of the financial assets and liabilities carried at fair value:

	Unaudited 31 March 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	448	8,019	-	8,467
Currency swaps	1,975	86,470	-	88,445
Precious metals swaps	1,582	-	-	1,582
Currency options	11,389	33,989	-	45,378
Interest rate swaps	-	13,397	-	13,397
Interest rate options	-	14,626	-	14,626
Equity options	-	8,042	-	8,042
	33,861	164,543	-	198,404
Financial assets at fair value through profit or loss				
Lebanese sovereign and Central Bank of lebanon				
Treasury bills	3,721	-	-	3,721
Other sovereign:				
Treasury bills and bonds	646	-	-	646
Private sector and other securities				
Banks and financial institutions	246,049	-	-	246,049
Mutual funds	-	10,124	32,895	43,019
Equity instruments	27	2,173		2,200
	250,443	12,297	32,895	295,635
Financial assets designated at fair value through other comprehensive income				
Debt instruments				
Other sovereign				
Treasury bills and bonds	704,290	-	-	704,290
Private sector and other securities				
Banks and financial institutions	384,646	-	-	384,636
Equity instruments				
Quoted	176	-	-	176
Unquoted	-	266	43,227	43,493
	1,089,112	266	43,227	1,132,595
	1,373,416	177,106	76,122	1,626,644

	Unaudited 31 March 2022			
	Level 1 LBP Million	Level 2 LBP Million	Level 3 LBP Million	Total LBP Million
FINANCIAL LIABILITIES				
Derivative financial instruments				
Derivatives held for trading				
Forward foreign exchange contracts	914	12,615	-	13,529
Forward precious metals contracts	11	-	-	11
Currency swaps	8,381	82,774	-	91,155
Precious metals swaps	1,222	-	-	1,222
Currency options	11,388	16,195	-	27,583
Interest rate swaps	-	52,849	-	52,849
Equity options	18,467	-	-	18,467
	40,383	164,433	-	204,816
Customers' deposits - sight	175,072	-	-	175,072
	215,455	164,433	-	379,888

	Audited 31 December 2021			
	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	248	14,860	-	15,108
Forward precious metals contracts	12	-	-	12
Currency swaps	6,404	166,951	-	173,355
Precious metals swaps	348	-	-	348
Currency options	6,085	47,361	-	53,446
Interest rate swaps	-	9,926	-	9,926
Interest rate options	-	18,883	-	18,883
Equity options	5,659	-	-	5,659
Derivatives held for cash flow hedge				
Interest rate swaps	-	10,330	-	10,330
	18,756	268,311	-	287,067
Financial assets at fair value through profit or loss				
Lebanese sovereign and Central Bank of Lebanon				
Treasury bills	1,267	-	-	1,267
Other sovereign				
Treasury bills and bonds	201	-	-	201
Private sector and other securities				
Banks and financial institutions	113,968	-	-	113,968
Mutual funds	-	3,963	39,491	43,454
Equity Instruments	28	2,120	-	2,148
	115,464	6,083	39,491	161,038
Financial assets designated at fair value through other comprehensive income				
Debt instruments				
Other sovereign				
Treasury bills	917,198	-	-	917,198
Private sector and other securities				
Banks and financial institutions	204,108	-	-	204,108
Equity instruments				
Quoted	176	-	-	176
Unquoted	-	266	43,132	43,998
	1,121,482	266	43,132	1,164,880
	1,255,702	274,660	82,623	1,612,985
FINANCIAL LIABILITIES				
Derivative financial instruments				
Derivative financial instruments				
Derivatives held for trading				
Forward foreign exchange contracts	412	31,345	-	31,757
Forward precious metals contracts				
Currency swaps	12,652	88,149	-	100,801
Precious metals swaps	1,212	-	-	1,212
Currency options	6,085	18,526	-	24,611
Interest rate swaps	-	166,784	-	166,784
Equity options	5,659	-	-	5,659
	26,020	304,804	-	304,824
Customers' deposits - sight	172,812	-	-	172,812
	198,832	304,804	-	503,636

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.

Government Bonds, Certificates of Deposit and Other Debt Instruments

The Group values these unquoted debt securities using discounted cash flow valuation models using observable market inputs, comprising of interest rates and yield curves, implied volatilities, and credit spreads. The Group does not have Level 3 government bonds, certificates of deposit and other debt instruments.

Loans and Advances to Customers at Fair Value through Profit or Loss

The fair value of loans and advances to customers that fall in this category is estimated using discounted cash flows by applying current market rates for new loans with similar remaining maturities and to counterparties with similar credit risk. The Group does not have Level 3 loans and advances to customers at fair value through profit or loss.

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 2022		Audited 31 December 2021	
	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	32,895	43,132	46,105	65,272
Re-measurement recognised in other comprehensive income	-	177	-	(7,518)
Purchases	-	-	-	311
Sales	-	-	(6,614)	13,879)
Foreign exchange difference	-	(82)	-	(1,054)
Balance at 31 March/31 December	32,895	43,227	39,491	43,132

COMPARISON OF CARRYING AND FAIR VALUES FOR FINANCIAL ASSETS AND LIABILITIES NOT HELD AT FAIR VALUE

FINANCIAL ASSETS AND LIABILITIES CONCENTRATED IN LEBANON

These assets consist of balances with the Central Bank of Lebanon and Lebanese banks, Lebanese government securities, loans and advances to customers and related parties and 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.

The carrying value of the Group's financial instruments not measured at fair value is reasonable approximation of their fair value.

22. 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 2022		
	Banks LBP Million	Customers LBP Million	Total LBP Million
Guarantees and contingent liabilities			
Financial guarantees	19,595	258,638	278,233
Other guarantees	61,824	741,259	803,083
	81,419	999,897	1,081,316
Commitments			
Documentary credits	-	292,193	292,193
Loan commitments	-	2,673,717	2,673,717
Of which revocable	-	*1,986,165*	*1,986,165*
Of which irrevocable	-	*687,552*	*687,522*
	-	2,965,910	2,965,910

	Audited 31 December 2021		
	Banks LBP Million	Customers LBP Million	Total LBP Million
Guarantees and contingent liabilities			
Financial guarantees	18,881	287,633	306,514
Other guarantees	39,333	670,427	709,760
	58,214	958,060	1,016,274
Commitments			
Documentary credits	-	254,229	254,229
Loan commitments	-	2,765,219	2,765,219
Of which revocable	-	*2,227,104*	*2,227,104*
Of which irrevocable	-	*538,115*	*538,115*
	-	3,019,448	538,115

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 2022 (31 December 2021: same).

LEGAL CLAIMS

Litigation is a common occurrence in the banking industry due to the nature of the business. The Group has an established protocol for dealing with such claims, many of which are beyond its control. 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, except as provided for in Note 27. However, they may have an impact on the offshore liquidity of the Group.

CAPITAL EXPENDITURE COMMITMENTS

	Unaudited 31 March 2022 LBP Million	Audited 31 December 2021 LBP Million
Capital expenditure commitments	2,080	2,089

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 2021 and the review of the National Social Security Fund (NSSF) for the period from 30 September 2011 to 31 March 2022. 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.

23. 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 2022 LBP Million	Audited 31 December 2021 LBP Million
Assets under management	10,793,667	11,195,957
Fiduciary assets	1,289,172	1,414,461
	12,082,839	12,610,418

24. RELATED-PARTY TRANSACTIONS

PParties 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

TTransactions 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 2022 LBP Million	Audited 31 December 2021 LBP Million
Loans and advances	67,842	70,485
Of which: granted to Key Management Personnel	*7,361*	*7,504*
Of which: cash collateral received against loans	*60,290*	*63,045*
Indirect facilities	1,752	1,752
Deposits	126,156	145,494
Interest income on loans	92	1,264
Interest expense on deposits	299	4,355

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 2022 LBP Million	Unaudited 31 March 2021 LBP Million
Short-term benefits	3,169	3,226
Post-employment benefits	59	50

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 4,805 million as of 31 March 2022 (31 December 2021: LBP 4,736 million).

25. CREDIT RISK

EXPECTED CREDIT LOSSES

FINANCIAL ASSETS AND EXPECTED CREDIT LOSSES 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 2022 and 31 December 2021. The Group does not hold any purchased or originated credit-impaired assets as at year-end.

	Gross Exposure				Impairment Allowance				
31 March 2022 (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	2,608,628	16,504,099	-	19,112,727	353	218,991	-	219,344	18,893,383
Due from banks and financial institutions	2,710,912	23,201	532	2,734,645	10	-	192	202	2,734,443
Loans to banks and financial institutions and reverse repurchase agreements	97,420	4,022	-	101,442	-	3,600	-	3,600	97,842
Loans and advances to customers at amortised cost	5,687,050	1,412,588	1,058,009	8,157,647	444,482	260,634	712,637	1,417,753	6,739,894
Corporate and SME	*3,624,994*	*1,253,622*	*738,314*	*5,616,930*	*298,362*	*243,100*	*451,473*	*992,935*	*4,623,995*
Retail and Personal Banking	*2,062,056*	*155,998*	*273,591*	*2,491,645*	*146,120*	*17,455*	*233,767*	*397,342*	*2,094,303*
Public sector	-	*2,968*	*46,104*	*49,072*	-	*79*	*27,397*	*27,476*	*21,596*
Loans and advances to related parties at amortised cost	67,842	-	-	67,842	-	-	-	-	67,842
Financial assets at amortised cost	961,139	3,891,351	2,218,076	7,070,566	634	73,121	129,145	202,900	6,867,666
Financial guarantees and other commitments	2,006,635	71,443	7,747	2,085,825	7,592	2,193	2,111	11,896	2,073,929
Total	14,139,626	21,906,704	3,284,364	39,330,694	453,071	558,539	844,085	1,855,695	37,474,999

	Gross Exposure				Impairment Allowance				
31 December 2021 (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	2,793,870	15,569,167	-	18,363,037	304	218,991	-	219,295	18,143,742
Due from banks and financial institutions	2,661,340	19,511	527	2,681,378	514	-	190	704	2,680,674
Loans to banks and financial institutions and reverse repurchase agreements	127,449	4,028	-	131,477	-	3,600	-	3,600	127,877
Loans and advances to customers at amortised cost	5,714,060	1,534,600	1,125,718	8,374,378	290,360	253,968	750,923	1,295,251	7,079,127
Corporate and SME	*3,600,512*	*1,404,675*	*778,275*	5,783,462	*152,766*	*236,037*	*475,781*	*864,584*	*4,918,878*
Retail and Personal Banking	*2,113,548*	*122,366*	*301,221*	2,537,135	*137,594*	*17,862*	*248,000*	*403,456*	*2,133,679*
Public sector	-	*7,559*	*46,222*	53,781	-	69	*27,142*	*27,211*	*26,570*
Loans and advances to related parties at amortised cost	70,507	-	-	70,507	22	-	-	22	70,485
Financial assets at amortised cost	495,549	3,935,925	3,048,195	7,479,669	688	73,121	120,951	194,760	7,284,909
Financial guarantees and other commitments	1,780,851	74,635	9,023	1,864,509	7,016	2,216	2,189	11,421	1,853,088
Total	13,643,626	21,137,866	4,183,463	38,964,955	298,904	551,896	874,253	1,725,053	37,239,902

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 2022 and 31 December 2021is as follows:

	Unaudited 31 March 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	16,285,108	963,096	9,091	1,636,088	-	-	-	-	-	18,893,383
Due from banks and financial institutions	19,458	28,456	70,158	2,125,673	490,453	245	-	-	-	2,734,443
Loans to banks and financial institutions and reverse repurchase agreements	428	97,414	-	-	-	-	-	-	-	97,842
Derivative financial instruments	2,493	71,903	400	122,688	11	100	809	-	-	198,404
Financial assets at fair value through profit or loss	3,721	2,800	-	224,158	19,619	-	-	118	-	250,416
Loans and advances to customers at amortised cost	2,805,279	2,610,807	463,870	282,439	6,319	93,839	394,681	72,572	10,088	6,739,894
Loans and advances to related parties at amortised cost	11,859	-	55,847	136	-	-	-	-	-	67,842
Debtors by acceptances	8,491	-	3,517	3,469	-	-	-	9,317	-	24,794
Financial assets at amortised cost	5,964,338	129,620	140,637	64,403	503,128	43,073	-	-	22,467	6,867,666
Financial assets at fair value through other comprehensive income	-	848,700	8,534	42,328	141,526	42,626	5,212	-	-	1,088,926
Other assets	1,534,528	67,788	2,223	19,117	-	-	-	-	-	1,623,656
	26,635,703	4,820,584	754,277	4,520,499	1,161,056	179,883	400,702	82,007	32,555	38,587,266

	Audited 31 December 2021									
	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	15,350,176	927,627	9,091	1,856,848	-	-	-	-	-	18,143,742
Due from banks and financial institutions	20,450	31,373	65,133	2,091,486	471,954	277	1	-	-	2,680,674
Loans to banks and financial institutions and reverse repurchase agreements	428	127,449	-	-	-	-	-	-	-	127,877
Derivative financial instruments	472	152,169	126	133,757	-	38	505	-	-	287,067
Financial assets at fair value through profit or loss	1,267	104	-	104,822	-	9,146	-	97	-	115,436
Loans and advances to customers at amortised cost	3,023,581	2,690,110	622,686	256,125	11,578	95,294	336,434	24,974	18,345	7,079,127
Loans and advances to related parties at amortised cost	11,768	-	58,472	245	-	-	-	-	-	70,485
Debtors by acceptances	21,987	556	1,423	2,199	-	-	29,726	-	-	55,891
Financial assets at amortised cost	6,790,048	140,455	132,031	60,879	100,985	38,043	-	-	22,468	7,284,909
Financial assets at fair value through other comprehensive income	-	817,653	18,308	43,045	171,539	65,341	5,420	-	-	1,121,306
Other assets	1,624,503	73,342	3,441	13,368	-	-	-	-	-	1,714,654
	26,844,680	4,960,838	910,711	4,562,774	756,056	208,139	372,086	25,071	40,813	38,681,168

26. 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.

As disclosed in Note 1, the Group's assets and liabilities in foreign currencies are valued at the official exchange rate. Due to the high volatility and the significant variance in exchange rates between the multiple currency markets, 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. Management is unable to determine what would be a reasonable possible movement in order to provide useful quantitative sensitivity analysis. The impact of the valuation of these assets and liabilities at a different rate will be recognised in the financial statements once the change in the official exchange rate and /or a legal exchange mechanism is implemented by the Lebanese government.

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 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	4,661,562	11,996,527	1,433,362	102,172	1,356,458	19,550,081
Due from banks and financial institutions	470	2,146,154	270,241	39,901	277,677	2,734,443
Loans to banks and financial institutions and reverse repurchase agreements	422	-	-	97,420	-	97,842
Derivative financial instruments	-	29,053	15,471	137,805	16,075	198,404
Financial assets at fair value through profit or loss	-	50,545	483	36,185	208,422	295,635
Loans and advances to customers at amortised cost	1,761,166	2,170,842	1,339,306	1,228,351	240,229	6,739,894
Loans and advances to related parties at amortised cost	6,502	60,349	991	-	-	67,842
Debtors by acceptances	-	18,603	5,556	-	635	24,794
Financial assets at amortised cost	2,207,323	4,420,159	23,770	216,414	-	6,867,666
Financial assets at fair value through other comprehensive income	19,523	389,341	85,698	631,987	6,046	1,132,595
Investments in associates	-	14,581	-	-	-	14,581
Property and equipment and right-of-use assets	484,405	630	11,605	18,453	63,498	578,591
Intangible assets	45,203	-	672	16,422	700	62,997
Assets obtained in settlement of debt	2,686	95,782	-	28,257	-	126,725
Other assets	1,528,523	87,804	8,051	52,681	33,123	1,710,182
Deferred tax assets	12,748	-	13	56,342	10,542	79,645
Goodwill	-	42,425	-	-	-	42,425
Total Assets	**10,730,533**	**21,522,795**	**3,195,219**	**2,662,390**	**2,213,405**	**40,324,342**
Liabilities and shareholders' equity						
Due to central banks	2,516,836	763,840	2,329	260,105	-	3,543,110
Due to banks and financial institutions	28,109	458,882	177,897	5,947	78,505	749,340
Due to banks under repurchase agreements	-	73,776	-	-	-	73,776
Derivative financial instruments	-	67,628	16,341	96,712	24,135	204,816
Customers' deposits	4,405,601	20,281,084	2,762,417	1,492,500	858,180	29,799,782
Deposits from related parties	4,407	100,559	19,557	46	1,587	126,156
Debt issued and other borrowed funds	-	1,237,430	-	-	-	1,237,430
Engagements by acceptances	-	18,603	5,556	-	635	24,794
Other liabilities	161,267	107,421	23,504	85,092	16,683	393,967
Deferred tax liabilities	1,617	-	-	-	4,784	6,401
Current tax liability	3,426	-	3,650	57,135	70	64,281
Provisions for risks and charges	218,298	7,744	3,810	44,378	26,577	300,807
Shareholders' equity	1,509,221	3,055,747	44,611	(1,111,363)	301,466	3,799,682
Total liabilities and shareholders' equity	**8,848,782**	**26,172,714**	**3,059,672**	**930,552**	**1,312,622**	**40,324,342**

	Audited 31 December 2021					
	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	3,637,212	12,101,538	1,442,960	77,997	1,657,875	18,917,582
Due from banks and financial institutions	1,011	2,200,291	241,083	22,207	216,082	2,680,674
Loans to banks and financial institutions and reverse repurchase agreements	428	-	-	127,449	-	127,877
Derivative financial instruments	-	31,138	4,821	235,132	15,976	287,067
Financial assets at fair value through profit or loss	-	46,769	15	9,227	105,027	161,038
Loans and advances to customers at amortised cost	1,965,029	2,253,303	1,397,877	1,213,219	249,699	7,079,127
Loans and advances to related parties at amortised cost	6,381	63,102	1,000	-	2	70,485
Debtors by acceptances	-	33,722	21,950	-	219	55,891
Financial assets at amortised cost	3,049,135	4,180,938	24,743	30,093	-	7,284,909
Financial assets at fair value through other comprehensive income	19,523	379,096	87,917	672,208	6,136	1,164,880
Investments in associates	-	14,581	-	-	-	14,581
Property and equipment and right-of-use assets	491,670	634	12,064	20,315	64,528	589,211
Intangible assets	48,000	-	627	16,441	808	65,876
Assets obtained in settlement of debt	2,709	95,782	-	33,171	-	131,662
Other assets	1,590,897	82,191	9,791	57,838	23,899	1,764,616
Deferred tax assets	13,970	-	13	28,645	5,924	48,552
Goodwill	-	42,419	-	-	-	42,419
Total Assets	**10,825,965**	**21,525,504**	**3,244,861**	**2,543,942**	**2,346,175**	**40,486,447**
Liabilities and shareholders' equity						
Due to central banks	2,531,583	768,448	387	244,045	-	3,544,463
Due to banks and financial institutions	31,661	354,968	169,492	5,021	13,857	574,999
Due to banks under repurchase agreements	-	38,610	-	-	-	38,610
Derivative financial instruments	-	175,028	4,944	129,164	21,688	330,824
Customers' deposits	4,355,880	20,842,977	2,745,962	1,217,834	993,740	30,156,393
Deposits from related parties	5,820	118,609	19,735	55	1,275	145,494
Debt issued and other borrowed funds	-	1,232,271	-	-	-	1,232,271
Engagements by acceptances	-	33,722	21,950	-	219	55,891
Other liabilities	105,550	133,020	20,123	73,720	26,369	358,782
Deferred tax liabilities	2,141	-	-	-	215	2,356
Current tax liability	3,345	20	3,041	-	208	6,614
Provisions for risks and charges	182,090	40,180	4,210	31,217	25,860	283,557
Shareholders' equity	1,849,347	2,727,690	44,591	(1,181,664)	316,227	3,756,193
Total liabilities and shareholders' equity	9,067,417	26,465,543	3,034,435	519,392	1,399,660	40,486,447

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 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 2022 (Unaudited)			
	USD LBP Million	EUR LBP Million	Other LBP Million	Total LBP Million
Assets				
Cash and balances with central banks	11,227,926	742,629	3,702	11,974,257
Due from banks and financial institutions	22,717	4	-	22,721
Financial assets at fair value through profit or loss	33,154	-	-	33,154
Loans and advances to customers at amortised cost	828,457	67,552	2,050	898,059
Loans and advances to related parties at amortised cost	4,480	27	-	4,507
Financial assets at amortised cost	3,677,704	-	-	3,677,704
Financial assets at fair value through other comprehensive income	4,445	274	-	4,719
Investment in associates	14,581	-	-	14,581
Property and equipment and right-of-use assets	634	-	52	686
Assets obtained in settlement of debt	95,782	-	-	95,782
Other assets	55,467	756	558	56,781
Total assets	**15,965,347**	**811,242**	**6,362**	**16,782,951**
Liabilities				
Liabilities and shareholders' equity	763,840	235	-	764,075
Due to central banks	18,996	10,129	11	29,136
Due to banks and financial institutions	15,773,050	729,637	124,211	16,626,898
Customers' deposits	48,475	10,948	345	59,768
Deposits from related parties	44,671	335	96	45,102
Provisions for risks and charges	3,723	-	-	3,723
Total liabilities	**16,652,755**	**751,284**	**124,663**	**17,528,702**

	31 December 2021 (Audited)			
	USD LBP Million	EUR LBP Million	Other LBP Million	Total LBP Million
Assets				
Cash and balances with central banks	11,388,656	759,452	4,768	12,152,876
Due from banks and financial institutions	19,440	4	-	19,444
Financial assets at fair value through profit or loss	33,154	-	-	33,154
Loans and advances to customers at amortised cost	912,875	67,925	2,060	982,868
Loans and advances to related parties at amortised cost	4,632	33	2	4,667
Debtors by acceptances	302	-	-	302
Financial assets at amortised cost	3,721,247	-	-	3,721,247
Financial assets at fair value through other comprehensive income	4,621	97	-	4,718
Investment in associates	14,581	-	-	14,581
Property and equipment and right-of-use assets	634	-	52	686
Assets obtained in settlement of debt	95,782	-	-	95,782
Other assets	54,991	295	612	55,898
Total assets	16,250,915	827,806	7,494	17,086,215
Liabilities				
Due to central banks	768,348	344	-	768,692
Due to banks and financial institutions	42,517	253	38	42,808
Customers' deposits	15,951,004	755,139	128,831	16,834,974
Deposits from related parties	64,177	12,286	607	77,070
Engagements by acceptances	302	-	-	302
Other liabilities	72,675	138	8	72,821
Provisions for risks and charges	34,944	-	-	34,944
Total liabilities	16,933,967	768,160	129,484	17,831,611

27.0. | LITIGATION RISK

Since 17 October 2019, the Group has been subject 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 development and the increasing trend in judgments ruled in favour of the plaintiffs and customers during 2021, Management considers that they may affect negatively the offshore liquidity of the Group, its foreign assets and its foreign currency mismatch (refer to Note 26 – 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. 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.

28.0. | 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.

29.0. | CAPITAL MANAGEMENT

TThe 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, introduced several key changes to the calculation of regulatory capital adequacy ratios. These changes include:

	(Unaudited) 31 March 2022	(Audited) 31 December 2021
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	45%	45 %
Lebanese government securities in Lebanese Pounds	0%	0 %

- 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%. Regulatory ECL for other exposures remain unchanged. These levels remained applicable in 2021.

- 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 100% 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 2021.

- Exceptionally during 2020 and 2021, allowing banks to drawn 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 Lebanese banks from distributing dividends on common shares for the financial years 2019 and 2020, as well as 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 Stagea 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.

The following table shows the applicable regulatory capital ratios:

	Common Tier 1 Capital Ratio	Tier 1 Capital Ratio	Total Capital Ratio
31 March 2022 (Unaudited)			
Minimum required capital ratios	4.50%	6.00%	8.00%
With the full capital conservation buffer of 2.5%	7.00%	8.50%	10.50%
31 December 2021 (Audited)			
Minimum required capital ratios	4.50%	6.00%	8.00%
With capital conservation buffer	7.00%	8.50%	10.50%

	Unaudited 31 March 2022 LBP Million	Audited 31 December 2021 LBP Million
Risk-weighted assets:		
Credit risk	27,822,279	28,552,147
Market risk	2,232,474	2,278,639
Operational risk	1,582,306	1,587,306
Total risk-weighted assets	31,642,059	32,418,092

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

	Unaudited 31 March 2022 LBP Million	Audited 31 December 2021 LBP Million
Tier 1 capital	4,130,994	4,178,251
Of which: Common Tier 1	*3,207,352*	*3,251,148*
Tier 2 capital	620,835	527,286
Total capital	4,751,829	4,705,537

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

	Unaudited 31 March 2022	Audited 31 December 2021
Capital adequacy – Common Tier 1	10.14%	10.04%
Capital adequacy – Tier 1	13.06%	12.89%
Capital adequacy – Total capital	15.02%	14.52%

The capital adequacy ratios as at 31 March 2022 and 31 December 2021 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 Platform Rate and the official 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.

30.0. | SUBSEQUENT EVENTS

Turkish Economy – Hyperinflation

Subsequent to the balance sheet date, based on the inflation data published as of March 2022 by Turkey Statistical Institute on 4 April 2022, the three-year cumulative increase in the Consumer Price Index has been 109.4%. Accordingly, as per one of the characteristics of IAS 29 – Financial Reporting in Hyperinflationary Economies ("IAS 29"), the Turkish economy will be defined as a hyperinflationary economy as on the date of these consolidated financial statements and consequently, IAS 29 should be implemented on the financial statements of the Group's subsidiary in Turkey for reporting periods ending 30 June 2022.

In accordance with IAS 29, financial statements would be expressed in terms of the measuring unit current at the end of the reporting period with the application of IAS 29. Non-monetary items which are not already expressed in terms of the measuring unit current at the end of the reporting period and components of shareholders' equity in the statement of financial position, and all items in the statement of profit or loss and other comprehensive income would be restated by applying a general price index. In addition, gains or losses arising from net monetary position would be recognised in profit or loss and other comprehensive income.

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 2022)*
Consolidated shareholders' equity:
LBP 3,799,683,959,165 *(as at March 2022)*
C.R. 11347 Beirut
List of Banks No. 56

HEADQUARTERS

Bank Audi Plaza, Bab Idriss.
P.O. Box 11-2560 Beirut - Lebanon
Tel: (961-1) 994000. Fax: (961-1) 990555.
Customer helpline: (961-1) 212120.
Swift: AUDBLBBX.
contactus@bankaudi.com.lb
bankaudigroup.com

BRANCHES

CORPORATE BRANCHES
ASHRAFIEH – MAIN BRANCH
SOFIL Center, Charles Malek Avenue.
Tel: (961-1) 200250. Fax: (961-1) 200724, 339092.
Branch Manager: Mrs. Josette F. Aramouni

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
Branch Manager: Mrs. Patricia G. Debs

VERDUN
Verdun 2000 Center, Rashid Karameh Avenue.
Tel: (961-1) 805805. Fax: (961-1) 865635, 861885.
Network Manager – Corporate Banking:
Mrs. Wafaa S. Younes
Branch Manager: Mr. Haytham M. Ramadan

BEIRUT
ASHRAFIEH – SASSINE
Le Gabriel Hotel, Elias Sarkis Avenue, Sassine.
Tel: (961-1) 200640. Fax: (961-1) 216685.
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: Ms. Nisrine A. Ismail

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

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

JNAH
Tahseen Khayat Bldg., Khalil Moutran Street.
Tel: (961-1) 844870. Fax: (961-1) 844875.
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.
Branch Manager: Mrs. Nancy S. Boustany

TABARIS
Saifi Plaza, Fouad Shehab Avenue
& Georges Haddad crossroad.
Tel: (961-1) 992335-9. Fax: (961-1) 990416, 990516.
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: Mrs. Hilda G. Sadek

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.
Branch Manager: Mrs. Rachel J. Sarkis

HARET HREIK
Ahmad Abbas Bldg., Baajour Street, Main Road.
Tel: (961-1) 277270. Fax: (961-1) 547265.
Branch Manager: Mr. Yasser A. Zein

HAZMIEH
Dar Assayad Bldg., Saïd Freiha Street, Hazmieh Roundabout.
Tel: (961-5) 451850. Fax: (961-5) 457963.
Branch Manager: Mr. Charles A. Berberi

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

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

JBEIL
Byblos Sun Bldg., Jbeil Roundabout.
Tel: (961-9) 543890. Fax: (961-9) 543895.
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.
Branch Manager: Mrs. Georgina Y. Nakad

RABIEH
Rabieh First Entrance, Street No. 5.
Tel: (961-4) 405950. Fax: (961-4) 416105.
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.
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.
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.
Branch Manager: Mr. Mohamad M. Bizri

SAIDA – SOUTH
Moustapha Saad Street.
Tel: (961-7) 728601. Fax: (961-7) 752704.
Branch Manager: Mr. Mohamad M. Kalo

TYRE
Abou Saleh & Moughnieh Bldg., Main Road.
Tel: (961-7) 345196. Fax: (961-7) 345201.
Branch Manager: Mrs. 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: Ms. Diana A. Assaad

BEKAA
JEB JANNINE
Majzoub Bldg., Main Road.
Tel: (961-8) 661488. Fax: (961-8) 661481.
Acting Branch Manager: Ms. Zeina H. Hajj

SHTAURA
Daher Bldg., Main Road.
Tel: (961-8) 542960. Fax: (961-8) 544853.
Acting Branch Manager: Mr. Philippe M. Saidy.

ZAHLEH
Beshwati Bldg., El-Boulevard.
Tel: (961-8) 813592. Fax: (961-8) 801921.
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

Zen Building, Charles Malek Avenue, Ashrafieh.
P.O. Box: 11-1121 Beirut - Lebanon.
Tel: (961-1) 209200. Fax: (961-1) 209205.

2.0. | TURKEY

ODEA BANK A.Ş.

HEADQUARTERS

Levent 199 Bldg., No.199/119, Buyukdere Street,
Esentepe District, Sisli, Istanbul.
Tel: (90-212) 3048444. Fax: (90-212) 3048445.
info@odeabank.com.tr – odeabank.com.tr

BRANCHES

ISTANBUL
MASLAK
No. 255 (Nurol Plaza), Door No. Z 10, Buyukdere Street,
Maslak District, Sariyer, Istanbul.
Tel: (90-212) 3048100. Fax: (90-212) 3481835.
Branch Manager: Ms. Ciler A. Durmaz (Retail)

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. Mehrzad H. Senefe (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. Kucuk (Retail)

YESILYURT
Eba Apartmani, No. 17A/1, Sipahioglu Street, Yesilyurt
District, Merkez, Bakirkoy, Istanbul.
Tel: (90-212) 4631100. Fax: (90-212) 3481875.
Branch Manager: Mr. Umut S. Kilic (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. 35/1, Kisikli Avenue, Altunizade District,
Uskudar, 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.
Tel: (90-216) 5865300. Fax: (90-212) 3481895.
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. Digdem M. Yavasoglu (Retail)

UMRANIYE
No. 50/52 A, Alemdag Avenue, Ataturk District,
Umraniye, Istanbul.
Tel: (90-216) 6491200. Fax: (90-212) 3481901.
Branch Manager: Mr. Mehmet 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
No. 93/A, Bagdat Street, Altintepe District,
Maltepe, Istanbul.
Tel: (90-216) 5872800. Fax: (90-212) 3481915.
Branch Manager: Mrs. Esin B. Unlu (Retail)

BAKIRKOY
No: 45/A, Istanbul Street, Cevizlik District,
Bakirkoy, Istanbul.
Tel: (90-212) 4093100. Fax: (90-212) 3481917.
Branch Manager: Ms. Sibel V. D. Donmez (Retail)

CIFTEHAVUZLAR
No. 173/A, Bagdat Street, Goztepe District,
Kadikoy, Istanbul.
Tel: (90-216) 4682900. Fax: (90-212) 3481916.
Branch Manager: Mrs. Seda H. Yanar (Retail)

BANK'O BRANCH
Olive Plaza, No. 11/8, Ahi Evran Street, Maslak District,
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.
Tel: (90-312) 2489800. Fax: (90-312) 2489801.
Branch Managers: Mr. Yildiray I. Demirci (Retail);
Mr. Ahmet O. Yetkiner (Commercial)

GOP
No. 16, Ugur Mumcu Street, Kazim Ozalp District,
Çankaya, Ankara.
Tel: (90-312) 4553800. Fax: (90-212) 3481858.
Branch Managers: Ms. Deniz F. Omay (Retail);
Mr. Hakki Murat S. Onlem (Commercial)

BALGAT
No: 106 A, Ehlibeyt Mah. Ceyhun Atuf Kansu Cad.
Balgat, Cankaya, Ankara.
Tel: (90-312) 5927500. Fax: (90-212) 3481877.
Branch Manager: Mr. Keykubat K. Sancaktaroglu
(Commercial & Retail)

UMITKOY
No. 12, Osmanaga Konaklari, Cayyolu 1 District,
Cankaya, Ankara.
Tel: (90-312) 2917300. Fax: (90-212) 3481912.
Branch Manager: Ms. Irem E. Celtemen (Retail)

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

ALSANCAK
Cumhuriyet Bldg., No. 176-A, Konak District,
Konak, Izmir.
Tel: (90-232) 4981800. Fax: (90-212) 3481868.
Branch Manager: Ms. Ebru O. Cindoglu (Retail)

BORNOVA
No. 152, Mustafa Kemal Street,
Manavkuyu District, Bayrakli, Izmir.
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, Karsiyaka, Izmir.
Tel: (90-232) 4911000. Fax: (90-212) 3481892.
Branch Manager: Ms. Gulum O. Gurle (Retail)

KOCAELI
GEBZE
No. 34, Ismetpasa Avenue, Hacihalil District,
Gebze, Kocaeli.
Tel: (90-262) 6742400. Fax: (90-212) 3481873.
Branch Manager: Ms. Gaye S. Akcoru
(Commercial & Retail)

IZMIT CARSI
No. 104, Cumhuriyet Street, Izmit, Kocaeli.
Tel: (90-262) 2812500. Fax: (90-212) 3481889.
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. Erdal H. Karakusoglu (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: Mr. Ismail I. Murat (Retail)

DENIZLI
DENIZLI
No. 2, M. Korkut Street, Saltak Avenue, Merkez Denizli.
Tel: (90-258) 2952000. Fax: (90-212) 3481883.
Branch Managers: Ms. Aliye Ozlem M. Ozkok (Retail);
Mr. Ahmet M. Sengun (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.
Tel: (90-252) 3115000. Fax: (90-212) 3481881.
Branch Manager: Ms. Asli O. Yilmaz (Retail)

ESKISEHIR
ESKISEHIR
No. 13/E, Hosnudiye Mah. Ismet Inonu Avenue,
Tepebasi, Eskisehir.
Tel: (90-222) 2131000. Fax: (90-212) 3481891.
Branch Manager: Mr. Mehmet Can A. Aykol (Retail)

MERSIN
MERSIN
No. 20/A, Kuvai Milliye Avenue, Camiserif District,
Akdeniz, Mersin.
Tel: (90-324) 2418300. Fax: (90-212) 3481882.
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)

SAMSUN
SAMSUN
No. 21, Kazimpasa Avenue, Kale District,
Ilkadim, Samsun.
Tel: (90-362) 3118800. Fax: (90-212) 3481907.
Branch Manager: Mr. Ismail M. Aytek (Retail)

3.0. | CYPRUS

BAPB HOLDING LIMITED

Artemisia Business Center, Flat/Office 104, 1st Floor,
Charalampou Mouskou 14, 2015 Strovolos,
Nicosia, Cyprus.
Tel: (357-22) 46 51 51. Fax: (357-22) 37 93 79.
adcy-cs-b@alterdomus.com

4.0. | SWITZERLAND

BANQUE AUDI (SUISSE) SA

Cours des Bastions 18-1205 Geneva.
P.O. Box: 384. 1211 Geneva 12, Switzerland.
Tel: (41-22) 704 11 11. Fax: (41-22) 704 11 00.
contactus.gva@bankaudipb.com
bankaudipb.com

Beirut Representative Office
Bank Audi Plaza, Bab Idriss.
P.O. Box: 11-2666 Beirut - Lebanon.
Tel: (961-1) 977 544. Fax: (961-1) 980 535.

5.0. | SAUDI ARABIA

AUDI CAPITAL (KSA) cjsc

Centria Bldg., 3rd Floor, 2908 Prince Mohammad Bin
Abdul Aziz Road (Tahlia).
Postal Address: Unit No. 28, Ar Riyadh 12241-6055.
P.O. Box: 250744 Riyadh 11391 Kingdom of Saudi Arabia.
Tel: (966-11) 2199300. Fax: (966-11) 4627942.
contactus@audicapital.com - audicapital.com

6.0. | QATAR

BANK AUDI LLC

Authorised by the QFC Regulatory Authority
License No. 00027

Qatar Financial Centre Tower, 18th Floor,
Diplomatic Area, West Bay.
P.O. Box: 23270 Doha, Qatar.
Tel: (974) 44051000. Fax: (974) 44051023.
contactus@bankaudi.com.qa - bankaudigroup.com

7.0. | FRANCE

BANK AUDI FRANCE sa

73, Avenue des Champs-Elysées. 75008 Paris, France.
Tel: (33-1) 53 83 50 00. Fax: (33-1) 42 56 09 74.
contactus@bankaudi.fr - bankaudi.fr

8.0. | UNITED ARAB EMIRATES

BANK AUDI sal – ABU DHABI REPRESENTATIVE OFFICE

Etihad Towers 3, Floor 36, Office 3637, Corniche Street.
P.O. Box 94409 Abu Dhabi, United Arab Emirates.
Tel: (971-2) 6331180. Fax: (971-2) 6336044.
contactus.abu-dhabi@bankaudi.com.lb
bankaudigroup.com