INTERIM FINANCIAL **REPORT**

END-SEPTEMBER 2022
(Unaudited)

Bank Audi

TABLE OF CONTENTS

01

MANAGEMENT DISCUSSION & ANALYSIS

PREPARED ON 17 NOVEMBER 2022

1.0. BASIS OF PRESENTATION

The following discussion and analysis has been prepared by the Bank's Management based upon the Interim Financial Statements which are included in the following section of this report. The selected financial and operating data set forth below has been subject to rounding, extracted without material adjustment from the Interim Financial Statements. It should be read in conjunction with, and is qualified in its entirety, by the 2021 Annual Report (audited) and the Interim Financial Statements in the first nine months of 2022 (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 (IAS) Board and interpretations issued by the International Financial Reporting Interpretations (IFRS) Committee, the general accounting plan for banks in Lebanon, and the regulations of the Central Bank of Lebanon and the Banking Control Commission (BCC). Such Interim Financial Statements include the results of the Bank and its consolidated subsidiaries as listed in Note 2.4 to the enclosed Interim Financial Statements as at end-September 2022.

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

By common local and international consensus, the government of Lebanon needs to adopt and implement a credible and comprehensive macro-financial reform program to address, among others, the systemic failure of the financial and banking sectors caused by this crisis. On 20 May 2022, the Lebanese government adopted a resolution plan led by the IMF and subject to the approval of its Executive Board. It still needs to be ratified by the Lebanese parliament. Lately, Lebanon has approved changes to the Banking Secrecy Law which were demanded by the IMF, before a long awaited restructuring plan is agreed upon.

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

- The impact of the valuation of assets and liabilities in foreign currencies is expected to be significant once the revamping of the peg is implemented by the Lebanese government, as seems highly likely.

- Loss allowances on assets held at the Central Bank of Lebanon and the portfolio of Lebanese government securities are set at very low levels and considered insufficient given the underlying risks of those assets. Should an adjustment become necessary, the impact is expected to be pervasive.

- A further deterioration of the credit quality of the loan portfolio as a result of the persisting negative economic conditions and the deepening recession may reveal additional future embedded losses.

- Potential restatement of published financial statements resulting from the use of a functional currency (LBP) related to a hyperinflationary economy as per IAS 29.

- Management has concerns about the effects that the above matters will have on the equity of the Group and the capitalisation 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 LBP 1,507.5/USD 1. 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 are 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 the Bank 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 the absence of a capital control law that governs the transfers.

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. Meanwhile, the Bank is continuing to implement measures aiming at reinforcing its 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 during 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 regulatory 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

While the country embarked on presidential elections, yet without a settlement seen at the horizon, Lebanon has finalised a number of milestones, the most important of which being the Southern border maritime settlement and the ratification of the 2022 government budget. In fact, the maritime border demarcation agreement was finally a done deal. The deal could enhance long-term economic prospects and improve the country's external position which is positive for Lebanon's credit profile, but implementation risks remain significant. Having said that, it will take no less than three to four years to start having economic benefits for Lebanon emanating from the new gas deal.

Meanwhile, challenges remain high. The fragmented nature of the parliament and the end of the presidential term make it difficult for government formation, presidential elections and the passage of reforms. This is pushing back the IMF Board approval of the EFF (Extended Fund facility), which is viewed as an important precursor for Lebanon's emergence from default and potential economic recovery.

A glance on the economic performance of this year suggests that real sector indicators were at the image of a mixed economy on the overall, though tending to extended sluggishness. Among indicators with negative growth over the first nine-month period, we mention cleared checks with a contraction of 12.6% and value of property transactions with a decline of 18.4%. Among indicators with positive growth, we mention construction permits with a surge of 440.0%, the number of passengers at the airport with a rise of 59.7%, new car sales with a rise of 79.7%, cement deliveries with an expansion of 55.4%, and merchandise at the Port with a rise of 8.6% year-on-year.

External sector figures released for the first seven months of 2022 suggest a 40.7% rise in trade deficit amid a 34.1% growth in imports, while exports increased by 12.7% relative to the same period in 2021. In fact, imports grew from USD 7.8 billion to USD 10.5 billion between the two periods, while exports rose from USD 1.9 billion to USD 2.1 billion, thus generating a rise in the trade deficit from USD 6.0 billion to USD 8.4 billion. The balance of payments recorded a deficit of USD 3.1 billion over the first nine months of this year, against USD 1.6 billion over last year's same period. The deficit in the balance of payments this year is the result of a USD 3.3 billion contraction of BdL net foreign assets, while banks' net foreign assets grew by USD 0.3 billion.

At the capital markets level, equity markets continued the noticeable surge of last year. The BSE price index rose by 24.7% in the first nine months of the year, following a 48.1% increase in the index in 2021, driven by the rise in Solidere shares. This year's rise in prices occurred within the context of a 5.5% annual increase in trading volume year-on-year, moving from USD 295 million in the first nine months of 2021 to USD 312 million in the first nine months of 2022. Consequently, the turnover ratio (annual trading value to market capitalisation) decreased from 3.8% to 3.1% between the two periods.

The 3-year banking sector analysis since the onset of Lebanon's financial crisis, i.e between October 2019 and September 2022, shows the following trends:

- A cumulative decline in total deposits by USD 43.4 billion amid noticeable withdrawals and loan redemption: customers' deposits contracted from USD 168.4 billion at end-October 2019 to USD 125.0 billion at end-September 2022, the equivalent of 25.8%. Resident deposits contracted by USD 31.3 billion, while non-resident deposits dropped by USD 12.1 billion. FX Deposits contracted by USD 26.6 billion over the three-year period to reach USD 97.0 billion, while LBP deposits dropped by LBP 25.3 trillion to reach LBP 42.1 trillion as at end-September 2022. As a result, deposit dollarization rose from 73.4% in October 2019 to 77.7% in September 2022.

- A cumulative decline in total loans by USD 31.9 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 22.3 billion, the equivalent of 58.9%. The loan redemption represents 73% of the deposit contraction over the past three years. FX loans contracted by USD 26.4 billion, while LBP loans dropped by LBP 8.3 trillion over the three-year period. As a result, loan dollarization dropped from 70.4% in October 2019 to 52.8% in September 2022.

- A cumulative decline in LBP deposit interest rate by 837 basis points and in USD deposit interest rate by 652 basis points: the average LBP deposit interest rate dropped from 9.03% at end-October 2019 to 0.66% at end-September 2022, while the average USD deposit interest rate declined from 6.61% to 0.09% over the same period. The spread between USD deposit rate and 3-month Libor reached close to -3.66% in September 2022, against 4.71% in October 2019.

- A cumulative decline in banks FX liquidity abroad by USD 4.4 billion: Lebanese banks' claims on non-resident financial sector dropped from USD 8.4 billion at end-October 2019 to USD 4.0 billion at end-September 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 11.1 billion in banks' Eurobonds portfolio amid net domestic sales and provisioning: Lebanese banks' Eurobond portfolio reached USD 3.7 billion at end-September 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 3.9 billion amid banks' net losses: shareholders' equity contracted from USD 20.6 billion at end-October 2019 to USD 16.7 billion at end-September 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 effects of mark-ups, the rising operating expenses tied to the surging inflation, in addition to significant provisions to face private and sovereign risks at large.

LEBANON'S MAJOR ECONOMIC INDICATORS

(USD Million)	9M 2021	9M 2022	Var 9M 22/9M 21
Real sector			
Merchandise at the port (000 tons)	3,514	3,844	9.4%
Number of passengers at the airport (000s)	3,072	4,821	56.9%
New car sales (unit)(*)	2,036	2,800	37.5%
Number of property sales operations	71,580	56,500	-21.1%
Value of property sales (USD million)	10,545	9,172	-13.0%
Electricity production (kWh million)(**)	2,931	1,005	-65.7%
Petroleum derivatives (000 tons)(**)	1,476	1,171	-20.7%
Monetary sector			
Var M3	200	5,072	2434.9%
Velocity	0.28	0.26	-6.7%
Cleared checks	28,638	25,039	-12.6%
CPI inflation (end-period, %)(***)	171.0%	145.9%	-25.1%
Public sector			
Gross domestic debt(*)	60,477	61,741	2.1%
Foreign debt(*)	37,274	39,983	7.3%
Total gross debt(*)	97,751	101,724	4.1%
External sector			
Imports(****)	7,832	10,500	34.1%
Exports(****)	1,857	2,093	12.7%
Trade deficit(****)	5,975	8,407	40.7%
Balance of payments	-1,582	-3,053	93.0%
Banking sector			
Var: Total assets	-8,360	-7,813	-6.5%
% change in assets	-4.4%	-4.5%	0.0%
Var: Total deposits	-6,651	-4,512	-32.2%
% change in deposits	-4.8%	-3.5%	1.3%
Var: Total credits	-6,168	-5,432	-11.9%
% change in credits	-17.1%	-19.6%	-2.5%

(*) 6-month figures for 2021 and 2022.
(**) 3-month figures for 2021 and 2022.
(***) y-o-y inflation for August 2022.
(****) 7-month figures for 2021 and 2022.
Sources: IMF, Lebanon Ministry of Finance, BdL, and concerned public and private entities.

3.0. CONSOLIDATED FINANCIAL CONDITION

In the third quarter of 2022, the Bank's consolidated activity and results continue to be in line with those observed in the first half of the year, heavily marked by persisting challenges in the operating conditions, particularly in Lebanon and Turkey, the Group's two principal markets.

On this backdrop, Management has been actively pursuing the implementation of a number of measures which are inherent to a broader direction focusing on six "going-concern" pillars (Asset Quality, Quality of Earnings, Liquidity & ALM, Solvency, Operations & Non-financial Risk, and Governance (please refer to the 2021 Annual Report for further details)), adopted in 2020, which coincidentally, happen to mirror to a great extent the CAMELS criteria (Capital, Asset Quality, Management, Earnings, Liquidity, Sensitivity) mentioned in the proposed Reform Plan by the IMF, to be used for the assessment of viable banks .

In what follows, we list the measures undertaken by the Group in the first nine months of the year according to the six-going concern pillars:

1. Asset Quality – broken down over loan quality, exposure to sovereign and exposure to the Central Bank of Lebanon in USD.

On the loan quality front, consolidated gross loans contracted by more than a half, from USD 9.4 billion as at end-December 2019 to USD 4.8 billion as at end-September 2022. This decrease is justified by the success of the loan deleveraging policy initiated in 2017 implemented across the Group, in particular in Lebanon and Turkey, and by the significant negative FX translation effect resulting mostly from the devaluation of the Turkish Lira (and the Euro) versus the US Dollar. Gross loans of Lebanese entities dropped, in parallel, by USD 2.8 billion while the contribution of Odea Bank to consolidated gross loans moved from USD 3.1 billion as at end-December 2019 to USD 1.7 billion as at end-September 2022. Gross loans of Lebanese entities reached a mere USD 2.1 billion as at end-September 2022, of which USD 0.8 billion are denominated in foreign currencies, considered the riskier. On a net basis, these reach a mere USD 0.4 billion. In the first nine months of 2022, consolidated gross loan decreased by USD 832 million, driven by a decrease in the contribution of Lebanese entities and Odea Bank to consolidated gross loans by USD 515 million and USD 289 million respectively over the same period.

In parallel, consolidated Stage 3 loans also dropped by half since end-December 2019, from USD 1.4 billion to stand at USD 737 million as at end-September 2022. However, in the first nine months of 2022, consolidated Stage 3 loans contracted by a mere USD 9.8 million, amid a downgrade of 2 customers in Lebanese entities driving an increase in Stage 3 loans in those entities by USD 54 million totally offset by a decreasing contribution by Odea Bank (USD -58 million) and other entities. Owing to the aforementioned faster contraction in gross loans than Stage 3 loans, the ratio of consolidated Stage 3 loans to gross loans rose from 13.3% as at end-December 2021 to 15.5% as at end-September 2022. In parallel, coverage of those loans by specific provisions has increased from 66.7% as at end-December 2021 to 68.6% as at end-September 2022.

On the exposure to the Lebanese Eurobonds front, Bank Audi has endeavoured, early on during the Crisis, to dispose of its holding of Lebanese sovereign Eurobonds. From nearly USD 2 billion at the outset of the Crisis, the Bank's net exposure stands at USD 40.5 million as at end-September 2022

As such, the largest challenge and risk faced by the Bank today is related to net exposure to the Central Bank of Lebanon in foreign currencies and standing at USD 10 billion as at end-September 2022. Given that this systemic risk would require a nationwide resolution plan, the Bank, awaiting such reform, has resorted to book the provisions required so far by the regulator (1.89%), which it considers largely insufficient given the potential losses.

2. Liquidity & ALM – since the outset of the Crisis, Bank Audi implemented a set of measures to strengthen the Bank's foreign currency liquidity including but not limited to markup transactions, capital increase, sale of foreign entities and upstreaming dividends from foreign entities. From almost an inexistent level at the outset of the crisis, the Bank's free liquidity denominated in foreign currencies has grown to circa USD 1 billion as at end-September 2022, representing circa 30-35% of available free liquidity in FCY in the sector. Net of the external accounts deposits in same currencies, net free liquidity in FCY would exceed USD 600 million as at end-September 2022.

Other measures have also been taken to relieve pressure on the Bank's liquidity in FCY: these encompass i) the renegotiation of agreement terms with all Development Financial Institutions (DFIs) in August 2021 to suspend future interest payments with an extension of loans' maturity by 6 years with no interest and no fees, and ii) the conversion earlier in the year 2022 of the USD 347 million subordinated debt maturing in 2023 into new unsecured subordinated notes under Lebanese law, the 2022 subordinated notes, that includes a put option at the discretion of the noteholder who may choose to redeem the note at 90.5% of the principal amount (please refer to the Liquidity section of this discussion for the detailed terms of the new issuance). 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).

On the ALM front, reducing the Bank's FX open position has been a key priority since the beginning of the Lebanese Crisis. After peaking at USD -2 billion as at end-December 2020, the Bank's FX position stands at circa USD 0.2 billion, exceeding the equity denominated in FCY. In other words, the Bank has assets in foreign currencies exceeding the liabilities in foreign currencies (excluding equity), leaving a net long positive position. When including equity, as per the definition of the Central Bank, the said position becomes short by USD 640 million as at end-September 2022. The Bank is pursuing its strategy of buying FX and is geared towards hedging the shareholders' equity in FCY.

3. Quality of Earnings – extending efforts to rationalise costs and generate a sustainable stream of fresh USD based earnings. To that end, the Bank, and in common with entities operating in severe crisis mode under hyperinflationary pressures, adopted, early on in the Crisis, a cost optimisation policy in Lebanon focusing on: 1) reducing the size of the branch network, 2) relocating employees internally to other branches/services, and 3) facilitating the voluntary departure of staff reducing head count significantly. As a result, the general operating expenses of Bank Audi Lebanon has contracted from USD 327 million in 2019 to stand at a mere USD 43 million today in fresh dollars terms. This allowed Bank Audi sal to register for the first time positive operating net profits amid a zero contribution from placements with the Central Bank of Lebanon or in instruments issued by the Republic of Lebanon. Management deems the latter as a major achievement underscoring the Bank's earning capacity in a post restructuring era.

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

Meanwhile, the Bank has been actively pursuing a direction to reinforce sustainable core revenues streams to offset the impact of the projected increase in the cost base. Within this direction, transactional banking, characterised by very lucrative commissions generation propensity, is envisaged to become the Bank's main activity while a number of digital banking solutions are being considered. The Bank has also been re-building an activity of external accounts by introducing a comprehensive product suite based on unrestricted business (covering both fresh USD and LBP-denominated activities) while resuming very selectively lending activity, mostly in LBP, to specific high credit worthy clients among its core clientele, subject to no FX conversions, no cash withdrawals and commissions in fresh currency. These measures have so far supported an improvement in commissions and other non-interest income revenues. Transaction Banking income has doubled since 2020 (at the prevailing market rate) and is now contributing to 75% of the total customers' income (compared to clients' interest income). The "fresh accounts" activity constitutes 81% of the Transaction Banking income today.

4. Solvency – the measures taken by Management to reduce the Bank's FX position have had a negative impact of the Group's consolidated results leading to a net loss of USD 811 million in the first nine months 2022. The latter have, in turn, significantly affected the Bank's capital ratios: CET1 ratio moved from 10.04% as at end-December 2021 to stand at 5.1% as at end-September 2022, still exceeding the regulatory minimum of 4.5%. In parallel, the Bank's total capital adequacy ratio moved from 14.5% as at end-December 2021 to 9.4% as at end-September 2022, compared to a minimum regulatory requirements of 8%. The Bank believes in the options at hand allowing to meet the minima required by end-December 2022 for CET1 and total capital ratio which are set at 5.25% and 8.75% respectively.

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 are 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 Management 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 to the increasing trend in judgments ruled in favour of the plaintiffs and customers during 2021, Management considers that they may negatively affect the offshore liquidity of the Group, its foreign assets and its foreign currency mismatch, in the absence of a capital control law that governs these transfers. Management believes that a legislative solution is urgently needed, through the enactment of laws that are appropriate for the adjudication of the unconventional legal disputes arising under the current exceptional circumstances.

Beyond the aforementioned litigations that carry a systemic nature, the Bank, members of its Board of Directors, as well as a number of current/former employees were the target of restraining orders preventing them from disposing of their assets. Bank Audi has so far sought diverse legal expertise on the matter: common consensus converges toward the fact that the Public Prosecutor claims are baseless and with no legal grounds.

6. Governance – despite the Crisis situation, Bank Audi has been abiding by regulatory requirements including all the exceptional guidelines/circulars aiming at reinforcing the financial standing of banks operating in Lebanon in the face of those adverse developments. Sustainable progress is made on the Governance front, with a particular focus on the control and risk-based oversight role of the Board of Directors while mobilising the Bank's Executive, Control and Oversight Committees to ensure the continued effectiveness of the control framework. Measures are also taken to ensure continued abidance by Compliance requirements, as well as by CSR principles, to ensure sustainable development, taking into account the economic, social and environmental parameters of our operations in Lebanon and abroad.

The aim of implementing these measures is to reinforce the Bank's financial standing to allow the Group to navigate through the alternating challenges of the upcoming transitory period featuring the implementation of an economic reform plan for Lebanon and evolving regulatory requirements, and be placed in the best possible shape. The Bank supports the agreement with the International Monetary Fund, which it considers a vital step that paves the way for other donors to provide similar support plans. It also supports the adoption of the "Capital Control" law, given that its positives outweigh its negatives, and that it is already part of the agreement with the International Monetary Fund. However, it believes that the current version of the recovery plan needs further amendments to ensure a clear and fair distribution of losses among the concerned parties and to address other critical points that are necessary to strengthen the financial position of all banks.

Notwithstanding, the Bank considers that the maritime border demarcation agreement is a historic transition point and a vital step towards securing stability.

Activity Analysis

Disclaimer: The Bank's financial statements have been compiled and prepared in accordance with the regulatory requirements, especially in terms of translating all foreign currencies against the Lebanese Pound according to the prevailing official exchange rates issued by the Central Bank of Lebanon. In light of the persisting existence of a number of exchange rates in Lebanon as a result of the prolonged financial crisis, which differ greatly from the official exchange rate, the published results of the Lebanese entities may not represent an accurate reflection of absolute values and are given on an indicative basis only to underscore evolution of main indicators.

Consolidated assets of Bank Audi stood at USD 24.7 billion as at end-September 2022, compared to USD 26.9 billion as at end-December 2021, i.e. decreasing by USD 2.2 billion. By entity, Lebanese entities account for USD 934 million (net of consolidated adjustments) of the aforementioned decrease in consolidated assets, followed by Odea Bank with USD 678 million and USD 561 million for entities operating in Europe.

The contraction of consolidated assets by USD 2.2 billion in the first nine months of 2022 reveals, on the funding side, a decrease in consolidated deposits by USD 870 million and a contraction in the outstanding balance of subordinated debt by USD 276 million reflecting the aforementioned conversion of the notes and subsequent exercise of the put option by the holders, to be added to a decrease in consolidated equity by USD 884 million driven by the net loss incurred over the same period. On the uses side, consolidated net loans decreased by USD 643 million, underscoring the significant collection efforts undertaken at this level, while placements in portfolio securities and the central banks decreased by USD 1.5 billion in the aggregate.

As at end-September 2022, consolidated customers' deposits reached USD 19.2 billion while consolidated net loans stood at USD 4.1 billion, compared to USD 20.1 billion and USD 4.7 billion respectively as at end-December 2021.

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

SUMMARISED STATEMENT OF FINANCIAL POSITION

(USD Million)	Dec-21	Sep-22	Change in Vol. Sep-22/Dec-21	%
Cash & placements with banks and central banks	14,412	13,289	-1,123	-7.8%
Portfolio securities	5,712	5,272	-440	-7.7%
Loans to customers	4,743	4,100	-643	-13.6%
Other assets	1,555	1,601	46	3.0%
Fixed assets	435	404	-31	-7.1%
Assets= Liabilities + Equity	26,857	24,667	-2,190	-8.2%
Bank deposits	2,758	2,732	-26	-1.0%
Customers' deposits	20,101	19,230	-871	-4.3%
Subordinated debt	817	541	-276	-33.8%
Other liabilities	689	555	-134	-19.5%
Shareholders' equity (profit included)	2,492	1,608	-884	-35.5%
AUMs + fid. dep. + cust. acc.	8,365	7,241	-1,124	-13.4%
Assets + AUMS	35,222	31,908	-3,314	-9.4%

The decrease in consolidated customers' deposits is predominantly attributed to entities operating abroad reporting a decrease by USD 990 million, totally offsetting the increase in deposit base of Lebanese entities by USD 119 million in the first nine months of 2022. Customers' deposits of Banque Audi (Suisse) reported a decrease by USD 481 million to be followed by Odea Bank registering a contraction by USD 410 million (of which USD 220 million owed to negative FX effect due to the devaluation of the local currency against the US Dollar) and Bank Audi France with a contraction by USD 85 million (of which USD 51 million owed to negative FX effect). The decrease in the deposit base of Banque Audi (Suisse) is justified chiefly by the market volatility and the redeployment of deposits into fiduciary deposits (AuM) to benefit from the surge of reference rates globally.

On the loans side, Lebanese entities accounted for USD 397 million of the decrease in consolidated net loans in the first nine months of 2022, followed by Odea Bank with USD 222 million and Banque Audi (Suisse) with USD 44 million, totally offsetting an increase in net loans to customers at Bank Audi France by USD 16 million. The USD 222 million decrease in net loans at Odea Bank is explained by a negative FX translation effect amid a stable loan portfolio across both dates.

In relative terms, as at end-September 2022, the share of Lebanese entities in consolidated assets, deposits and loans has been steadily increasing. 74.3% of consolidated assets were accounted for by Lebanese entities (including consolidation adjustments), 13.9% by Odea Bank in Turkey, and 6.9% by Private Banking entities, with the remaining 4.9% contributed by other entities (Bank Audi France and Bank Audi LLC (Qatar) predominantly). This is compared to 72.1%, 15.3%, 7.6% and 5% respectively as at end-December 2021. Lebanese entities also accounted for 75.7% of consolidated deposits and 38.6% of consolidated loans as at end-September 2022, compared to 71.9% and 41.7% respectively as at end-December 2021. In parallel, Odea Bank's share in consolidated deposits moved from 14.1% as at end-December 2021 to 12.6% as at end-September 2022. This is mostly justified by the negative foreign currencies translation effect following the significant devaluation of the Turkish Lira versus the USD during the first nine months of the year.

Conversely, at the level of consolidated net loans, the share of Odea Bank in the total moved from 37.6% as at end-December 2021 to 38.1% as at end-September 2022. This evolution highlights Odea Bank's current direction, to resume lending selectively, after following over the past 5 years a strict deleveraging strategy, amid a continued net contraction in the loan book of Lebanese entities, reflecting the significant collective efforts undertaken since the beginning of the Lebanese Crisis to date. New lendings at Odea Bank are mostly limited to TRY loans extended to specific credit-worthy customers among the core clientele of the Bank.

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	Sep-22	Change	Dec-21	Sep-22	Change	Dec-21	Sep-22	Change
By region									
Lebanon	72.1%	74.3%	2.2%	71.9%	75.7%	3.8%	41.7%	38.6%	-3.1%
Abroad	27.9%	25.7%	-2.2%	28.1%	24.3%	-3.8%	58.3%	61.4%	3.1%

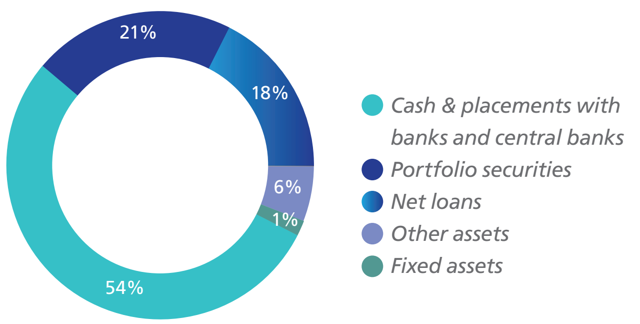
In parallel, consolidated assets under management (composed of fiduciary deposits, security accounts and asset under management) moved from USD 8.4 billion as at end-December 2021 to USD 7.2 billion as at end-September 2022, contracting by USD 1.1 billion. Within a slight increase in consolidated fiduciary deposits by USD 188 million over the period, driven by Banque Audi (Suisse) with an increase by USD 217 million, the latter decrease is mostly accounted for by consolidated AuMs contracting by USD 1.3 billion over the period, impacted by market conditions, of which a decrease by USD 874 million in Switzerland with the remainder representing decreases in AuMs booked in Lebanon and KSA by USD 300 million and USD 106 million respectively. Subsequently, consolidated assets including fiduciary deposits, security accounts and AuMs aggregated to USD 31.9 billion at end-September 2022, compared to USD 35.2 billion as at end-December 2021.

3.1. ASSET ALLOCATION

Consolidated assets allocation remained stable in the first nine months of 2022, favouring in priority cash and placements with banks and central banks, which accounts for close to 54% of total uses across those dates.

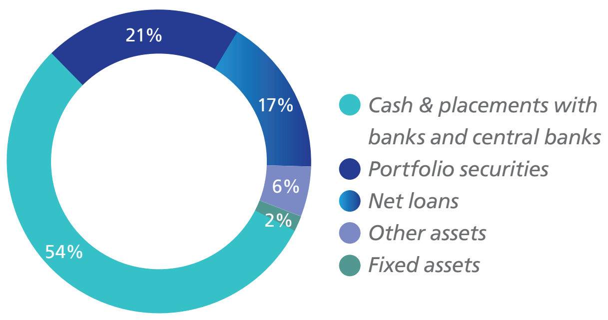
The charts below highlight the structure of the consolidated uses as at end-September 2022 compared to end-December 2021:

ASSET BREAKDOWN AS AT END-DECEMBER 2021



Dec-21

ASSET BREAKDOWN AS AT END-SEPTEMBER 2022



Sep-22

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 deposits issued by the Central Bank of Lebanon), placements with banks and loans to banks and reverse repurchase facilities with central banks and financial institutions) decreased from USD 14.4 billion as at end-December 2021 to USD 13.3 billion as at end-September 2022, corresponding to a contraction by USD 1.1 billion.

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

PLACEMENTS WITH CENTRAL BANKS AND BANKS (EXCLUDING CDs)

(USD Million)	LBP	USD	EUR	TRY	Others	TOTAL
Central banks	2,100	8,184	846	69	261	11,460
o.w. Reserves requirements	570	1,745	8	0		2,323
o.w. Cash deposits	1,530	6,439	837	69	261	9,137
Placements with banks	0	1,310	260	94	164	1,829
o.w. Deposits with banks	0	1,310	260	11	164	1,746
o.w. Loans to banks and financial institutions and reverse repurchase agreements		0		83		83
Total placements	**2,101**	**9,494**	**1,106**	**162**	**425**	**13,289**

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 decreased by USD 313 million in the first nine months of 2022, from USD 2.4 billion as at end-December 2021 to stand at USD 2.1 billion as at end-September 2022. The decrease reflects predominantly a contraction in cash deposits by USD 471 million over the period, partially offset by an increase in reserve requirements by USD 159 million. Adjusting to the USD 566 million of Treasury bills placements maturing in January 2022 and which would have increased cash deposits, the latter would have contracted in the first nine months of 2022 by circa USD 1 billion. This decrease comes on the backdrop of an increase in customers' deposits denominated in Lebanese Pounds by the equivalent of USD 639 million over the period, underscoring the magnitude of the efforts undertaken by Management to reduce its FX position and hedge it equity denominated in foreign currencies. As a result, the share of placements with central banks and banks in Lebanese Pounds in deposits denominated in Lebanese Pounds dropped noticeably reaching 59.5% as at end-September 2022, from 83.4% as at end-December 2021.

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 810 million, of which a decrease in cash deposits at central banks by USD 777 million and in placements with banks by USD 34 million. Subsequently, the Bank's placements with central banks and banks in foreign currencies stood at USD 11.2 billion as at end-September 2022, broken down over USD 9.4 billion of placements with central banks in foreign currencies and USD 1.8 billion of placements with banks in foreign currencies. Part and parcel of the latter, the Bank had USD 990 million in free liquidity denominated in foreign currencies as at end-September 2022, built through markup transactions, capital increase, sale of foreign entities and upstreaming dividends from foreign entities and representing circa 25% of available free liquidity in foreign currencies in the Lebanese banking sector. Net of the external accounts deposits in same currencies, net free liquidity in FCY would reach USD 611 million as at end-September 2022.

Owing to a faster contraction in consolidated customers' deposits in foreign currencies (-8.8%) than in placements with central banks and banks in foreign currencies (-6.8%) in the first nine months of 2022, the latter represented 71.3% of those deposits as at end-September 2022, compared to 69.7% as at end-December 2021. Placements with central banks in foreign currencies represented 59.6% 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 moved from 10.3% as at end-December 2021 to 11.1% as at end-September 2022. More significantly, as at end-September 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 7.7% as at 21 October 2022.

Notwithstanding, 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 noteholders' meetings 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 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 the existing notes with 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 the 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 the 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) the 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).

Management's initiatives also extended to reducing the Bank's FX open position, which had reached a peak of USD -2 billion as at end-December 2020. Since that date, Management succeeded to shrink the said position to stand currently at circa USD 0.2 billion, exceeding the equity denominated in FCY. In other words, the Bank has assets in foreign currencies exceeding the liabilities in foreign currencies (excluding equity), leaving a net long positive position. When including equity, as per the definition of the Central Bank of Lebanon, the said position become short by USD 640 million as at end-September 2022. Management is actively seeking ways to preserve the value of the equity denominated in foreign currencies by resorting to hedging solutions to mitigate the risks tied with the fluctuations in the exchange rates of the currencies the Bank deals with.

CHANGES IN SECURITIES PORTFOLIO

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

In the first nine months of 2022, the Bank's securities portfolio decreased by USD 440 million (-7.7%), from USD 5.7 billion as at end-December 2021 to USD 5.3 billion as at end-September 2022. This decrease reflects the Bank's appetite, as it stems from a decrease in the portfolio of Lebanese securities (certificates of deposits issued by the Central Bank of Lebanon and Lebanese Treasury Bills and Eurobonds) by USD 771 million over the same period, partially offsetting an increase in placements in non-Lebanese securities and fixed income instruments aggregating USD 333 million.

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

PORTFOLIO SECURITIES BREAKDOWN

(USD Million)	Dec-21	Sep-22	Vol.	%
Central Bank of Lebanon certificates of deposit	2,562	2,326	-236	-9.2%
LBP-denominated	94	93	-1	-1.4%
Foreign currency-denominated	2,468	2,234	-235	-9.5%
Net Lebanese Treasury Bills and Eurobonds	1,875	1,397	-479	-25.5%
LBP-denominated	1,929	1,368	-561	-29.1%
Foreign currency-denominated	-54	29.1	83	-154.2%
Risk-ceded government Eurobonds	67	11.4	-56	-83.0%
LBP-denominated				
Foreign currency-denominated	67	11	-56	-83.0%
Other non-Lebanese sovereign securities	747	1,028	281	37.6%
TRY	327	399	72	22.0%
USD	346	520	174	50.4%
EUR	74	109	35	46.8%
Other fixed income securities	401	453	52	13.0%
LBP-denominated				
Foreign currency-denominated	401	453	52	13.0%
Equity securities	59	57	-2	-3.5%
LBP-denominated	13	13		
Foreign currency-denominated	46	44	-2	-4.4%
Total portfolio securities	5,712	5,272	-440	-7.7%

Lebanese Bonds and Central Bank Certificates of Deposit Portfolio
Exposure to the Central Bank of Lebanon in the form of certificates of deposit in Lebanese Pounds remained stable in the first nine months of 2022. In foreign currencies, this exposure contracted by USD 235 million, from USD 2,468 million as at end-December 2021 to USD 2,234 million as at end-September 2022, resulting from a swap against compulsory reserves. Free account placements at the Central Bank of Lebanon denominated in foreign currencies evolved in parallel from USD 8,054 million as at end-December 2021 to USD 8,241 million as at end-September 2022, aggregating an exposure to the Central Bank of Lebanon of USD 10.5 billion at the same date, reaching USD 10 billion when netting dues to the Central Bank of Lebanon in the same currencies, unchanged across the period. This is net of an ECL of USD 194 million taken on this exposure as per regulatory requirement (1.89%) which also remained unchanged across the period.

The Group's exposure to Lebanese securities decreased by USD 535 million in the first nine months of 2022, representing mostly a maturing Treasury Bills issuance in January 2022 by USD 566 million offsetting a net increase in the Group's exposure to Lebanese sovereign Eurobonds net of ECLs, including risk-ceded government bonds by USD 27 million over the same period, to stand at USD 40 million as at end-September 2022, a size which continues to be deemed immaterial. The current depressed market valuations of the Lebanese sovereign bonds could potentially offer investors an attractive upside potential in a post-restructuring era.

Non-Lebanese Sovereign Securities
The Bank's non-Lebanese sovereign risk increased by USD 281 million in the first nine months of 2022, from USD 747 million as at end-December 2021 to USD 1,028 million as at end-September 2022. USD 174 million of this increase is attributed to non-Lebanese sovereign securities in USD, mostly US Treasury and other securities of sovereigns 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 19.5% of the total securities portfolio as at end-September 2022 compared to 13.1% as at end-December 2021. It also represents 6.5% 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 by USD 52 million in the first nine months of 2022, from USD 401 million as at end-December 2021 to USD 453 million as at end-September 2022. This is due to the acquisition of additional corporate and banks and financial institutions bonds, and the increase 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 56.4% of the total portfolio, while corporate issuers accounted for 21.6% and remainder 22% 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 7% of the total portfolio as at end-September 2022.

CHANGES IN NET LOANS TO CUSTOMERS

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

LEBANESE ENTITIES

The net loan portfolio of Lebanese entities continues to contract during the first three quarters of 2022 (by around c/v USD 397 million based on the official exchange rate as published by the Central Bank of Lebanon 1 USD = 1507.5 LBP), with this decrease being mainly justified by settlement of loans and collection efforts implemented in line with the de-risking strategy adopted since the start of the Lebanese Crisis. In addition, selective lending in LBP is being granted to strategic clients operating in defensive sectors.

Analysis of Loans by Currency
When it comes to the breakdown of net loans of Lebanese entities by currency, the recent mix shows that 22% of those loans are booked in local dollars as at end-September 2022, compared to 69% pre-crisis (i.e. at end-September 2019).

LOAN QUALITY[(*)]

LEBANESE ENTITIES

(USD Million)	Dec-21	Sep-22	Change Sep-22/ Dec-21
Credit-impaired loans	**572**	**626**	**54**
o.w. Corporate	395	487	92
o.w. Retail	177	139	-38
Net loans	**1,979**	**1,581**	**-397**
o.w. Corporate	1,348	1,126	-222
o.w. Retail	631	456	-175
Allowance for ECL Stage 3	**413**	**449**	**37**
o.w. Corporate	266	324	58
o.w. Retail	147	126	-21
Allowance for ECL Stages 1 & 2	**247**	**93**	**-154**
o.w. Corporate	152	63	-89
o.w. Retail	95	30	-65
Credit-impaired loans/Gross loans	**21.7%**	**29.5%**	**7.8%**
o.w. Corporate	22.4%	32.2%	9.8%
o.w. Retail	20.3%	22.8%	2.4%
Net credit-impaired loans/Gross loans	**6.1%**	**8.3%**	**2.3%**
o.w. Corporate	7.3%	10.8%	3.5%
o.w. Retail	3.5%	2.2%	-1.3%
Credit-impaired loans coverage	**72.1%**	**71.8%**	**-0.3%**
o.w. Corporate	67.3%	66.5%	-0.8%
o.w. Retail	82.7%	90.3%	7.6%
Allowance for ECL Stages 1 & 2/Net loans	**12.5%**	**5.9%**	**-6.6%**
o.w. Corporate	11.3%	5.6%	-5.7%
o.w. Retail	15.1%	6.5%	-8.5%

(*) As per IFRS 9.

Credit-impaired loans of Lebanese entities stood at USD 626 million as at end-September 2022, representing 29.5% of gross loans compared to 21.7% as at end-December 2021. The evolution of the Stage 3 ratio was negatively impacted by the following:

- Shrinkage of the total loan portfolio (Stage 1 loans decreased by USD 358 million, of which USD 218 million in the retail portfolio).
- The downgrade of corporate Stage 2 clients during the second quarter of 2022 to Stage 3 resulted in an increase in credit-impaired loans despite the collection effort during this period. In parallel, Stage 2 decreased by 66%, contracting in absolute terms by USD 210 million in the first three quarters of 2022.

As a result, the total allowances for ECL Stage 3 increased by USD 37 million with an increase of USD 58 million in Stage 3 ECL covering corporate loans and a decrease in ECL of the retail portfolio for USD 21 million. The coverage ratio of the Stage 3 credit-impaired loans remained the same and stood at 71.8% as at end-September 2022 compared to 72.1% as at end-December 2021.

Despite 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 of Lebanese entities is not subject to any further deterioration risk.

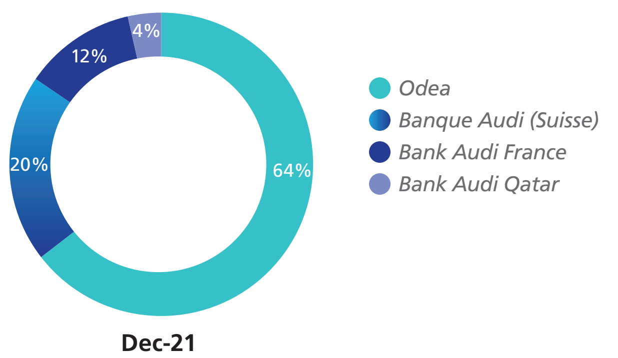
ENTITIES OPERATING OUTSIDE LEBANON

The total net loan portfolio at the entities operating outside Lebanon decreased by 9% or USD 245 million during the first three quarters of 2022, standing at USD 2.5 billion at end-September 2022 compared to USD 2.8 billion as at end-December 2021.

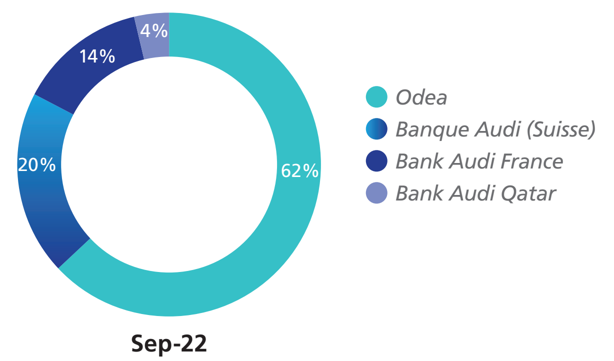
The decrease stems mainly from a decrease in Odea Bank by USD 222 million as a result of the devaluation of the Turkish Lira and settlement of loans denominated in foreign currencies. It is to be noted, though, that the devaluation of the Turkish Lira versus the US Dollar offset the registered growth of portfolio of loans denominated in Turkish Lira witnessed during this period.

A breakdown of the net loan portfolio of entities operating outside Lebanon by geography as at end-September 2022 reveals that 62% were booked in Odea Bank (Turkey), 20% in Banque Audi (Suisse), 14% in Bank Audi France and 4% in Bank Audi Qatar. This is compared to 64%, 20%, 12% and 4% respectively as at end-December 2021.

BREAKDOWN OF NET LOANS & ADVANCES BY ENTITIES OPERATING OUTSIDE LEBANON AS AT END-DECEMBER 2021



BREAKDOWN OF NET LOANS & ADVANCES BY ENTITIES OPERATING OUTSIDE LEBANON AS AT END-SEPTEMBER 2022



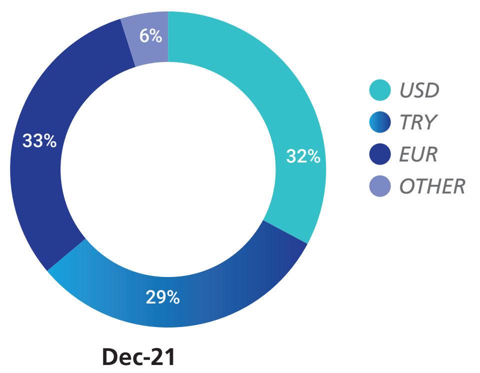
Analysis of Loans by Currency

The dominant currencies of total net loans of entities operating outside Lebanon remain the USD and the EUR, with their shares aggregating to 60% at end-September 2022.

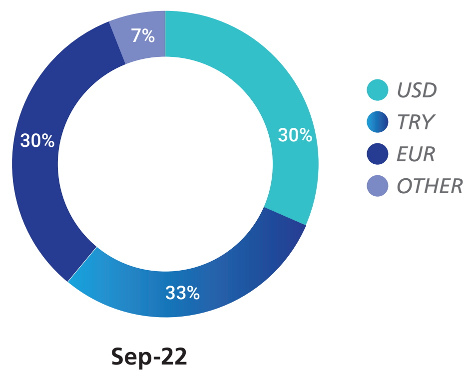
It is worth noting that the share of loans denominated in foreign currencies, however, dropped in Odea Bank from 54% at end-December 2021 to 46% at end-September 2022. This decrease is driven by the continuous efforts of Odea Bank to lend in local currency and settle loans denominated in foreign currencies. The share of loans denominated in foreign currencies would have been at an all-time low as at end-September 2022 had it not been for the significant devaluation of the Turkish Lira since September 2021 and reaching record levels in September 2022.

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

BREAKDOWN OF NET LOANS & ADVANCES IN ENTITIES OPERATING OUTSIDE LEBANON BY CURRENCY AS AT END-DECEMBER 2021



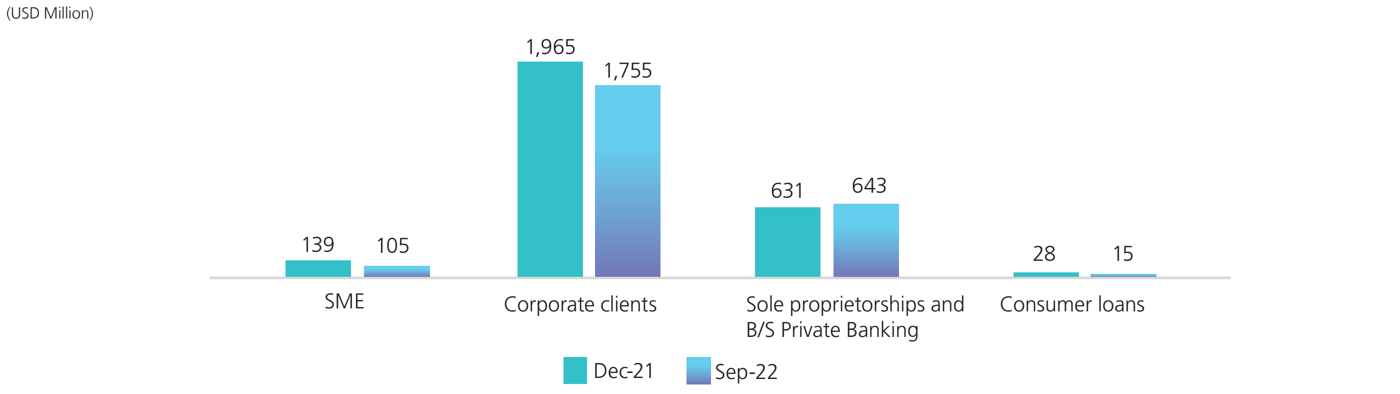
BREAKDOWN OF NET LOANS & ADVANCES IN ENTITIES OPERATING OUTSIDE LEBANON BY CURRENCY AS AT END-SEPTEMBER 2022



Analysis of Loans by Class of Borrower

The distribution of the Bank's net loans of entities operating outside Lebanon by type of borrower continues to show a concentration in the corporate segment which constituted 70% of the loan book as at end-September 2022 (compared to 71% as end-December 2021), followed by the Sole Proprietorship and Private Banking segment representing 26% of the portfolio (compared to 23% as at end-December 2021).

BREAKDOWN OF NET LOANS & ADVANCES IN ENTITIES OPERATING OUTSIDE LEBANON BY TYPE OF CUSTOMER



Analysis of Loans by Economic Sector

By economic sector, the net loan portfolio of entities operating outside Lebanon mainly consists of loans to the manufacturing sector (20%), which increased by USD 47 million in absolute terms (11%) during the first three quarters of 2022 and of Private Banking customers (Banque Audi (Suisse)) (20%), which decreased by USD 49 million over the same period.

On the backdrop of the high level of loans denominated in foreign currencies amid the unprecedented high economic volatility witnessed in Turkey, Management continues to prioritise the contraction of the exposure in risky sectors. Hence, the exposure to the Developers & Real Estate Services segment decreased by 24%, representing USD 142 million in absolute terms, to account for 18% of the net loans of entities operating outside Lebanon as at end-September 2022, compared to 22% of those loans as at end-December 2021.

BREAKDOWN OF NET LOANS & ADVANCES IN ENTITIES OPERATING OUTSIDE LEBANON BY ECONOMIC SECTOR

	Dec-21		Sep-22	
(USD Million)		%		%
Manufacturing industries	446	16%	493	20%
Bs Private Banking	562	20%	513	20%
Developers & real estate services	600	22%	457	18%
Hotels and restaurants	265	10%	225	9%
Electricity, gas and water	190	7%	154	6%
Wholesale trade	137	5%	183	7%
Other loans	563	20%	493	20%
Total	2,763	100%	2,518	100%

Analysis of Loans by Maturity

An analysis of the evolution of the loan book of entities operating outside Lebanon by maturity, in the first 3 quarters of 2022, shows that the USD 245 million decrease in those net loans is mainly attributed to long-term facilities (decreasing by USD 386 million) and medium-term facilities (declining by USD 177 million) amid an increase in short-term facilities by USD 319 million. Subsequently, the structure of this net loan portfolio across maturities changed with an increase in the share of short-term loans in the total to stand at 57%as at end-September 2022 compared to a share of 40% as at end-December 2021 amid a decrease in the shares of medium and long-term facilities in the total net loans.

The following table shows the breakdown of the loan portfolio of entities operating outside Lebanon by maturity as at end-September 2022 compared to end-December 2021.

BREAKDOWN OF NET LOANS & ADVANCES IN ENTITIES OPERATING OUTSIDE LEBANON BY MATURITY SINCE INCEPTION

	Dec-21		Sep-22	
(USD Million)		%		%
Short-term facilities	1,111	40%	1,430	57%
Medium-term facilities	459	17%	282	11%
Long-term facilities	1,193	43%	806	32%
Total	2,763	100%	2,518	100%

Analysis of Loans by Type of Collateral

As at end-September 2022, 45% of the consolidated net loan portfolio booked in entities operating outside Lebanon was secured predominantly by real estate mortgages (50% of the secured portfolio). The following table shows the distribution of the Bank's loan portfolio by type of collateral as at end-September 2022 as compared to end-December 2021:

BREAKDOWN OF NET LOANS &ADVANCES IN ENTITIES OPERATING OUTSIDE LEBANON BY COLLATERALS

	Dec-21		Sep-22	
(USD Million)		%		%
Secured	1,242	45%	1,130	45%
Cash co. & bank guarantee	254	9%	302	12%
Real estate mortgage	645	23%	549	22%
Securities (bonds & shares)	319	12%	257	10%
Vehicles	24	1%	23	1%
Corporate or personal guarantees	1,018	37%	957	38%
Unsecured	504	18%	431	17%
Total	2,763	100%	2,518	100%

LOAN QUALITY(*)

ENTITIES OPERATING OUTSIDE LEBANON

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

(USD Million)	Dec-21	Sep-22	Change Sep-22/ Dec-21
Credit-impaired loans	174	111	-64
o.w. Corporate	165	104	-61
o.w. Retail	9	6	-3
Net loans	2,764	2,518	-245
o.w. Corporate	2,736	2,503	-233
o.w. Retail	28	15	-12
Allowance for ECL Stage 3	86	56	-29
o.w. Corporate	81	51	-30
o.w. Retail	5	5	0
Allowance for ECL Stages 1 & 2	86	56	-29
o.w. Corporate	81	51	-30
o.w. Retail	5	5	0
Credit-impaired loans/Gross loans	5.9%	4.2%	-1.7%
o.w. Corporate	5.6%	4.0%	-1.7%
o.w. Retail	27.8%	30.2%	2.4%
Net credit-impaired loans/Gross loans	3.0%	2.1%	-0.9%
o.w. Corporate	2.9%	2.0%	-0.9%
o.w. Retail	13.0%	5.3%	-7.7%
Credit-impaired loans coverage	49.1%	50.7%	1.7%
o.w. Corporate	48.8%	48.8%	0.0%
o.w. Retail	53.3%	82.4%	29.1%
Allowance for ECL Stages 1 & 2/Net loans	3.1%	2.2%	-0.9%
o.w. Corporate	2.9%	2.0%	-0.9%
o.w. Retail	17.4%	33.1%	15.7%

(*) As per IFRS 9.

Credit-impaired loans of entities operating outside Lebanon decreased by USD 64 million, mainly driven by a devaluation effect on Odea Bank's Stage 3 loans portfolio which is all denominated in Turkish Lira, followed by collection efforts and a one-time write-off of the Syrian portfolio at Bank Audi France during the second quarter of 2022. This contributed in improving the Stage 3 ratio by 1.7% to reach 4.2% % as at end-September 2022 (down from 5.9% at end-December 2021).

Stage 2 exposure also dropped by USD 237 million, mainly due to an asset quality upgrade, a settlement of loans in foreign currency, and the effect of the devaluation of the Turkish Lira versus the US Dollar, hence improving the Stage 2 ratio to reach 18% as at end-September 2022, down from 24% as at end-December 2021.

3.2. FUNDING SOURCES

Funding sources of Bank Audi sal continue to be predominantly driven by private customers' deposits. As at end-September 2022, consolidated deposits represented 78% of total funding sources compared to 74.8% as at end-December 2021. Banks' deposits, subordinated debt and other liabilities had shares in total funding of 11.1%, 2.2% and 2.3% as at end-September 2022 compared to 10.3%, 3.0% and 2.6% as at end-December 2021. Driven principally by the loss incurred in the nine months of the year, the consolidated shareholders' equity contracted by USD 884 million, moving from USD 2,492 million as at end-December 2021 to USD 1,608 million as at end-September 2022. Subsequently, the share of shareholders' equity in total funding dropped from 9.3% as at end-December 2021 to stand at 6.5% as at end-September 2022.

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	Sep-22	Vol.	%
Central Bank's deposits	2,351	2,260	-91	-4%
Time deposit	*2,212*	*2,143*	*-69*	*-3%*
Repurchase agreements	*139*	*117*	*-22*	*-16%*
Banks' deposits	407	472	65	16%
Sight deposits	*80*	*183*	*103*	*130%*
Time deposits	*302*	*220*	*-82*	*-27%*
Repurchase agreements	*26*	*69*	*43*	*168%*
Customers' and related parties' deposits	20,101	19,230	-870	-4%
Sight deposits	*10,344*	*10,321*	*-23*	*0%*
Time deposits, saving accounts and certificates of deposit	*9,412*	*8,377*	*-1,035*	*-11%*
Collateral and margins	*345*	*532*	*187*	*54%*
Subordinated loans	817	541	-276	-34%
Other liabilities	689	555	-133	-19%
Shareholders' equity	2,492	1,608	-884	-35%
Total	26,857	24,667	-2,190	-8%

CHANGES IN CUSTOMERS' DEPOSITS

Consolidated customers' deposits (including related-party deposits) decreased by USD 870 million in the first nine months of 2022, moving from USD 20.1 billion as at end-December 2021 to USD 19.2 billion as at end-September 2022. The decrease in consolidated customers' deposits is predominantly attributed to entities operating abroad reporting a decrease by USD 990 million, totally offsetting the increase in deposit base of Lebanese entities by USD 119 million in the first nine months of 2022. Customers' deposits of Banque Audi (Suisse) reported a decrease by USD 481 million to be followed by Odea Bank registering a contraction by USD 410 million and Bank Audi France with a contraction by USD 85 million. While the contraction registered across these entities is explained chiefly by the market downturn and volatility (and the shift to fiduciary deposits to benefit from the surge of interest rates in the case of Banque Audi (Suisse)), the decreases in Odea Bank and Bank Audi France are also explained by the negative FX translation impact resulting from the devaluation of the Turkish Lira and the Euro against the US Dollar across the same period. The said impact amounted to USD 220 million at Odea Bank and USD 51 million for Bank Audi France, leaving real decreases of USD 190 million for Odea Bank and USD 34 million for Bank Audi France.

The increase of deposits of Lebanese entities by USD 119 million is driven by deposits denominated in Lebanese Pounds rising during the period by USD 639 million, totally offsetting the decrease in deposits denominated in foreign currencies by USD 519 million. Customers' deposits of Lebanese entities stood at USD 14.6 billion as at end-September 2022, of which USD 11.0 billion in foreign currencies and USD 3.5 billion denominated in LBP.

Subsequently, Lebanese entities account for a share of 75.7% in consolidated customers' deposits as at end-September 2022, followed by a contribution of 12.6% for Odea Bank and 11.3% from entities operating in Europe and 0.4% from entities operating in the GCC. This is compared to 71.9%, 14.1%, 13.64% and 0.5% respectively as at end-December 2021.

Analysis of Customers' Deposits by Segment

The share of Retail and Personal Banking deposits in consolidated deposits rose to 87.4% as at end-September 2022 compared to 85.4% as at end-December 2021. Retail and Personal Banking deposits reached USD 16.8 billion as at end-September 2022 compared to USD 17.2 billion as at end-December 2021, decreasing by USD 345 million (-2.0%) over the period.

The rise in the share of Retail and Personal Banking deposits is hence attributed to a faster decrease in Corporate and SME deposits by USD 525 million (-17.9%) over the same period. Corporate and SME deposits moved from USD 2.9 billion at end-December 2021, to stand at USD 2.4 billion as at end-September 2022, representing 12.6% of consolidated customers' deposits (versus 14.6% as at end-December 2021).

Analysis of Customers' Deposits by Type

As at end-September 2022, the evolution of consolidated customers' deposits by type continues to favour sight deposits. This evolution underscores the low confidence level of depositors in Lebanon amid persisting high uncertainties and the extremely low cost of deposits that has compelled some of those depositors to keep their savings in sight deposits awaiting a resolution of the current financial crisis.

Sight and short-term deposits moved from USD 10.7 billion as at end-December 2021 to USD 10.9 billion as at end-September 2022, increasing by USD 164 million. They represented 56.4% of total consolidated deposits as at end-September 2022 compared to 53.2% as at end-December 2021.

In parallel, time deposits that include saving deposits and certificates of deposit decreased by USD 1,035 million in the first nine months of 2022, from USD 9.4 billion as at end-December 2021 to USD 8.4 billion as at end-September 2022, representing 43.6% of total deposits as at end-September 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		Sep-22		Change Sep-22 / Dec-21	
(USD Million)	Volume	Share in Total	Volume	Share in Total	Volume	Share in Total
Lebanese Pound	2,893	14.4%	3,532	18.4%	639	4.0%
US Dollars	13,905	69.2%	12,626	65.7%	-1,279	-3.5%
Turkish Lira	808	4.0%	990	5.1%	182	1.1%
Euro	1,835	9.1%	1,561	8.1%	-273	-1.0%
Other currencies	660	3.3%	522	2.7%	-138	-0.6%
Total	20,101	100.0%	19,230	100.0%	-871	

The share of customers' deposits denominated in US Dollars decreased from 69.2% as at end-December 2021 to 65.7% as at end-September 2022, and continued to comprise the bulk of consolidated deposits. In parallel, the share of deposits denominated in Lebanese Pounds increased by 4.0% to stand at 18.4%, while the share of deposits denominated in Turkish Lira also increased by 1.1% to stand at 5.1% as at end-September 2022. The share of deposits denominated in Euro in total deposits decreased by 1.0% to stand at 8.1% of the total deposits.

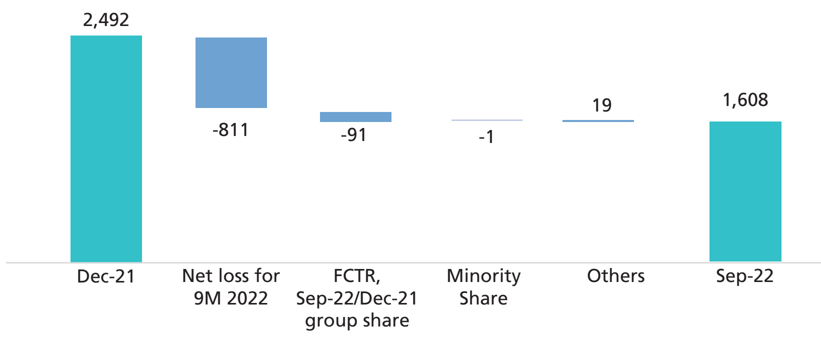
CHANGES IN SHAREHOLDERS' EQUITY

In the first nine months of 2022, consolidated shareholders' equity contracted by USD 884 million, from USD 2,492 million as at end-December 2021 to stand at USD 1,608 million as at end-September 2022. The said decrease reflects primarily the USD 811 million of consolidated net loss registered over the same period following the measures taken by Management to reduce the open FX position, along with an increase in the negative FX translation effect by USD 91 million as a result of a further devaluation of the Turkish Lira, the Euro and the Swiss Franc versus the US dollar. By currency, the USD 884 million decrease is broken down over a decrease by USD 1,008 million in shareholders' equity denominated in Lebanese Pounds (driven by the reported net loss over and above a decrease in retained earnings) totally offsetting an increase in shareholders' equity denominated in foreign currencies by USD 125 million over the same period.

As at end-September 2022, consolidated equity represented 6.5% of consolidated assets compared to 9.3% as at end-December 2021. By type at the same date, consolidated shareholders' equity comprised USD 945 million of common equity group share, in addition to USD 600 million of preferred equity and USD 63 million of minority shares. This is compared to USD 1,829 million, USD 600 million and USD 62 million as at end-December 2021.

EVOLUTION OF CONSOLIDATED EQUITY IN THE FIRST NINE MONTHS OF 2022

(USD Million)



Capital Adequacy

The following table sets out the calculation of the Bank's capital adequacy ratios over the different components as at end-September 2022 relative to end-December 2021:

CAPITAL ADEQUACY RATIO

(USD Million)	Dec-21	Sep-22	Change Sep-22/Dec-21
Risk-weighted assets	21,505	19,640	-1,864
o.w. Credit risk	18,940	17,922	-1,018
o.w. Market risk	1,512	665	-846
o.w. Operational risk	1,053	1,053	0
Tier 1 capital	2,772	1,610	-1,162
o.w. Common Tier 1	*2,159*	*1,005*	*-1,155*
Tier 2 capital	350	245	-105
Total regulatory capital	3,121	1,854	-1,268
Common Tier 1 ratio	10.0%	5.1%	-4.9%
+ Additional Tier 1 ratio	2.8%	3.1%	0.2%
= Tier 1 ratio	12.9%	8.2%	-4.7%
Tier 2 ratio	1.6%	1.2%	-0.4%
Total ratio	14.5%	9.4%	-5.1%

	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 while waiving the capital conservation buffer of 2.5% for the years 2020 and 2021 before progressively reinstating it by end of every year from 2022 to 2024.*

In parallel with the decrease in consolidated shareholders' equity observed in the first nine months of 2022, regulatory capital also decreased by USD 1.3 billion, moving from USD 3,121 million as at end-December 2021 to USD 1,854 million as at end-September 2022, corresponding to a contraction by 40.6%. In details, CET1 capital moved from USD 2,159 million as at end-December 2021 to stand at USD 1,005 million as at end-September 2022, translating in total Tier 1 capital of USD 1,610 million at the same date amid a stable additional Tier 1 size. In turn, consolidated Tier 2 capital decreased by USD 105 million over the same period, from USD 350 million as at end-December 2021 to USD 245 million as at end-September 2022. This decrease mirrors principally the settlement of the USD 347 subordinated debt while recognising that the remaining portion is not eligible for inclusion in the Tier 2 ratio as per BASEL framework. It also reflects the customary time decay of the USD 150 million subordinated subdebt subscribed for by the IFC.

Subsequently, consolidated regulatory capital reached USD 1.9 billion as at end-September 2022, compared to USD 3.1 billion as at end-December 2021.

In parallel, consolidated risk-weighted assets decreased by USD 1,864 million, moving from USD 21.5 billion as at end-December 2021 to USD 19.6 billion as at end-September 2022, with the decrease predominantly explained by a negative FX translation impact on credit risk.

The positive effect of contraction in consolidated risk-weighted assets by 8.7% on consolidated capital ratios was totally offset by the drop in CET1 ratio by 49.1%. Accordingly, the core equity Tier 1 ratio decreased by half over the same period, from 10% as at end-December 2021 to 5.1% as at end-September 2022, still exceeding the regulatory minimum for the period set at 4.5%. Tier 1 capital stood at the same date at 8.2% compared to a regulatory minimum of 6%. Adding the contribution of Tier 2 ratio that moved from 1.6% as at end-December 2021 to 1.2% as at end-September 2022 turns a total capital ratio of 9.4% as at end-September 2022, compared to 14.5% as at end-December 2021, still above the regulatory minimum of 8.0%. The Bank believes in the options at hand to meet the minima required by end-December 2022 for CET1 and total capital ratios which are set at 5.25% and 8.75% respectively.

3.3. GROUP RESULTS OF OPERATIONS

In the first nine months of 2022, Bank Audi reported a consolidated net loss of USD 811 million compared to a loss of USD 107 million in the corresponding period of 2021. The registered net loss includes one-off flows amounting to USD 1.3 billion representing predominantly one-off losses on FX trading reflecting Management's voluntary decision to reduce significantly its open FX position. Net of those one-off flows, Bank Audi would have registered operating profits (normalised) of LBP 778 billion in the first nine months of 2022, compared to LBP 834 billion in the first nine months of 2021 , excluding results of discontinued operations. When including the USD 52 million of results of discontinued operations sold in 2021, consolidated operating profits of Bank Audi would have reached LBP 913 billion in the first nine months of 2021.

Translated at the official rate of 1 USD = 1507.5 LBP, Bank Audi would have reported normalised net profits before results of discontinued operations of USD 516 million, compared to USD 553 million in the first nine months of 2021.

The following table sets out an overview of the Bank' consolidated financial results in the first nine of 2022 relative to the corresponding period of 2021:

SUMMARISED NORMALISED CONSOLIDATED INCOME STATEMENT

(USD Million)	9M-21	9M-22	Normalised YoY 9M22/9M21	
Interest income(1)	794	788	-6	-0.8%
Net of new taxes on financial investments	*-113*	*-88*	*25*	*-22.2%*
Non-interest income	82	263	181	222.0%
Total income	876	1,051	175	20.0%
Operating expenses	311	494	183	59.0%
Credit expense	7	24	17	222.5%
Income tax	4	17	13	274.3%
Total expenses	323	535	212	65.7%
Net profits after tax (normalised from operations)	553	516	-37	-6.8%
Results of discontinued operations	52		-52	-100.0%
Net profits after discontinued operations	606	516	-90	-14.9%
+ Crisis related one-offs	-713	-1,327	-614	86.1%
= Net profit after tax and one-offs	-107	-811	-704	

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

By geography, the USD 516 million of normalised net profits achieved in the first nine months of 2022 are mostly generated from the entities operating in Lebanon, with USD 442 million (86% of the total), amid a contribution of USD 58.6 million of net profits from Odea Bank (11.3%), USD 10.9 million from Private Banking entities (2.1%), USD 3.1 million from Bank Audi France (0.6%) and USD 1.5 million from Bank Audi Qatar (0.3%).

The importance of the results registered by Lebanese entities lies in the fact that for the first time in a long time, Bank Audi Lebanon is generating positive operating profits outside any revenues generated from the Central Bank of Lebanon or the Lebanese sovereign. This achievement was made possible due to the adoption of Transactional Banking as main activity for the banks, coupled with a stringent cost optimisation policy undertaken which translated in a shrinking of the cost base of the Bank from USD 320 million in 2019 to reach circa USD 43 million in fresh dollars terms in 2022. Management deems this a major achievement underscoring the Bank's earning capacity in a post-restructuring era.

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

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

NET INTEREST INCOME

Consolidated net interest income net of taxes amounted to USD 788 million in the first nine months of 2022, compared to USD 794 million in the corresponding period of 2021. By geography, consolidated net interest income this year was generated, in the most part, by Lebanese entities with USD 639 million, followed by Odea Bank with USD 122 million, USD 13.5 million from Private Banking entities, with the remainder accounted by other entities. This is compared with USD 714 million of net interest income achieved in Lebanese entities in the first nine months of 2021, followed by Odea Bank with USD 59 million and USD 9.5 million for Private Banking entities, 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 6.9%, Odea Bank's interest income increased by 3-fold year-on-year (in TRY terms) 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 0.66%, from 3.38% in the first nine months of 2021 to 4.04% in the first nine months of 2022. Spread in Lebanese entities was stable across both dates, standing at 4.5% amid the lowest cost of deposit ever achieved and justified by the informal capital control. In parallel, Odea Bank's spread has doubled from 1.56% in the first nine months of 2021 to 4.22% in the first nine months of 2022, driven by the aforementioned drivers.

NON-INTEREST INCOME

Normalised consolidated non-interest income increased by USD 181 million over the period, from USD 82 million in the first nine months of 2021 to USD 263 million in the first nine months of 2022. Lebanese entities drove the increase in consolidated non-interest income with USD 200 million, of which USD 67 million attributed to net commissions perceived mostly on fresh accounts and Transactional Banking, USD 85 million to an increase in gains from FX trading activities, and USD 52 million from an increase in gains on financial instruments.

Normalised consolidated fees and commissions hence rose from USD 92 million in the first nine months of 2021 to USD 149 million in the first nine months of 2022, rising by 61.9%. This increase is a clear witness to the change in the business model adopted by Management to adapt to the current circumstances, focusing on the generation of sustainable fresh USD-based non-interest earnings.

Non-interest income accounted for 1.35% of average assets as at end-September 2022, compared to 0.35% as at end-September 2021.

TOTAL OPERATING EXPENSES

In the first nine months of 2022, the Bank's consolidated normalised total operating expenses reached USD 494 million relative to USD 311 million in the first nine months of 2021, registering an increase by USD 183 million, or 58.8%. The latter increase is driven by an increase in general operating expenses of Lebanese entities by USD 190 million, resulting principally from the prevailing excessive inflation driven by the dollarization of commodities and the reliance for some services on the prices of the domestic oil grid which totally offset the impact of the cost optimisation measures that Management continues to implement. At face value, at the prevailing official rate with no differentiation between costs paid in LBP, local USD and fresh USD, general operating expenses of Lebanese entities doubled year-on-year, moving from USD 198 million in the first nine months of 2021 to USD 388 million in the first nine months of 2022. In fresh Dollar terms, the cost base of Lebanese entities stands at circa USD 43 million.

Based on the above, the cost to income ratio deteriorated by 11.5%, from 35.5% in the first nine months of 2021 to 47.0% in the first nine months 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-September 2022, Bank Audi's normalised return on average assets stood at 2.65% compared to 2.35% 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(*)

	9M-21	9M-22	Change
Spread	3.38%	4.04%	0.67%
+ Non-interest income/AA	0.35%	1.35%	1.00%
= Asset utilisation	3.72%	5.39%	1.67%
X Net operating margin	63.16%	49.13%	-14.04%
o.w. Cost to income	35.48%	47.01%	11.53%
o.w. Provisons	0.85%	2.28%	1.43%
o.w. Tax cost	0.51%	1.58%	1.07%
= ROAA	2.35%	2.65%	0.30%
X Leverage	11.10	11.62	0.52
= ROAE	26.11%	30.78%	4.67%
ROACE	24.78%	31.43%	6.65%

(*) Based on normalised consolidated income statement.

02

FINANCIAL STATEMENTS

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (UNAUDITED)

	Notes	Unaudited for the Period from 1 January to 30 September 2022 LBP Million	Reviewed for the Period from 1 January to 30 September 2021 LBP Million
CONTINUING OPERATIONS			
Interest and similar income		1,690,661	1,896,888
Interest and similar expense		(517,251)	(690,740)
Net interest income		1,173,410	1,206,148
Fee and commission income		264,997	185,579
Fee and commission expense	4	(319,619)	(180,117)
Net fee and commission (expense) income		(54,622)	5,462
Net trading loss	5	(1,717,441)	(930,193)
Net loss on sale of financial assets at amortised cost		(8,770)	(12,320)
Non-interest revenues from financial assets at fair value through other comprehensive income		57	3,355
Share of gain of associates under equity method		352	-
Other operating income		15,988	33,464
Total operating (loss) income		(591,026)	305,916
Net impairment recovery (loss) on financial assets	6	263,726	(11,219)
Net operating (expense) income		(327,300)	294,697
Personnel expenses		(425,029)	(310,226)
Other operating expenses		(389,039)	(162,967)
Depreciation of property and equipment and right-of-use assets		(29,598)	(40,141)
Amortisation of intangible assets		(12,355)	(14,871)
Total operating expenses		(856,021)	(528,205)
Operating loss		(1,183,321)	(233,508)
Net loss on revaluation and disposal of fixed assets		(318)	(1,219)
Loss before tax from continuing operations		(1,183,639)	(234,727)
Income tax		(39,295)	(6,693)
Loss for the period from continuing operations		(1,222,934)	(241,420)
DISCONTINUED OPERATIONS			
Profit for the period from discontinued operations, net of tax	19	-	79,625
Loss for the period		(1,222,934)	(161,795)
Attributable to:			
Equity holders of the parent		(1,239,013)	(167,978)
Loss for the period from continuing operations		(1,239,013)	(247,603)
Profit for the period from discontinued operations		-	79,625
Non-controlling interests		16,079	6,183
Profit for the period from continuing operations		16,079	6,183
Profit for the period from discontinued operations		-	-
		(1,222,934)	(161,795)
Loss per share:			
		LBP	LBP
Basic and diluted loss per share		(2,109)	(286)
Basic and diluted loss per share from continuing operations		(2,109)	(422)
Basic and diluted earnings per share from discontinued operations		-	136

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (UNAUDITED)

	Notes	Unaudited for the Period from 1 January to 30 September 2022 LBP Million	Reviewed for the Period from 1 January to 30 September 2021 LBP Million
Loss for the period from continuing operations		(1,222,934)	(241,420)
Profit for the period from discontinued operations	19	-	79,625
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		(166,684)	(160,969)
Net foreign currency translation		(166,684)	(160,969)
Cash flow hedge			
Net hedging loss arising during the period		(4,003)	(3,414)
Tax effects		801	683
Net change in cash flow hedge		(3,202)	(2,731)
Debt instruments at fair value through other comprehensive income			
Net unrealised gain (loss)		81,140	(18,121)
Tax effects		(20,839)	3,624
Net gain (loss) on debt instruments at fair value through other comprehensive income		60,301	(14,497)
Total other comprehensive loss that will be reclassified to the income statement in subsequent periods from continuing operations		(109,585)	(178,197)
Other comprehensive income (loss) that will not be reclassified to the income statement in subsequent periods from continuing operations			
Remeasurement losses on defined benefit plans			
Actuarial loss on defined benefits plans		-	(482)
Net remeasurement losses on defined benefit plans		-	(482)
Equity instruments at fair value through other comprehensive income			
Net unrealised (loss) gain		(1,519)	6,120
Tax effects		(34)	-
Net unrealised (loss) gain on equity instruments at fair value through other comprehensive income		(1,553)	6,120
Total other comprehensive (loss) gain that will not be reclassified to the income statement in subsequent periods from continuing operations		(1,553)	5,638
Other comprehensive loss for the period from continuing operations, net of tax		(111,138)	(172,559)
Other comprehensive loss for the period from discontinued operations, net of tax		-	(8,971)
Total comprehensive loss for the period from continuing operations, net of tax		(1,334,072)	(422,950)
Total comprehensive gain for the period from discontinuing operations, net of tax	19	-	79,625
Total comprehensive loss for the period, net of tax		(1,334,072)	(343,325)
Equity holders of the parent		(1,334,420)	(315,163)
Non-controlling interests		348	(28,162)
		(1,334,072)	(343,325)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2022 (UNAUDITED)

	Notes	Unaudited 30 September 2022 LBP Million	Audited 31 December 2021 LBP Million
ASSETS			
Cash and balances with central banks		17,275,911	18,917,582
Due from banks and financial institutions		2,631,369	2,680,674
Loans to banks and financial institutions and reverse repurchase agreements		125,366	127,877
Derivative financial instruments	7	180,574	287,067
Financial assets at fair value through profit or loss	8	208,836	161,038
Loans and advances to customers at amortised cost	9	6,115,229	7,079,127
Loans and advances to related parties at amortised cost		65,396	70,485
Debtors by acceptances		30,352	55,891
Financial assets at amortised cost	10	6,836,996	7,284,909
Financial assets at fair value through other comprehensive income	11	902,345	1,164,880
Investments in associates		15,787	14,581
Property and equipment and right-of-use assets		555,526	589,211
Intangible assets		53,980	65,876
Assets obtained in settlement of debt		175,408	131,662
Other assets	12	1,917,199	1,764,616
Deferred tax assets		52,296	48,552
Goodwill		42,470	42,419
TOTAL ASSETS		37,185,040	40,486,447
LIABILITIES			
Due to central banks	13	3,407,183	3,544,463
Due to banks and financial institutions		607,801	574,999
Due to banks under repurchase agreements		103,448	38,610
Derivative financial instruments	7	85,648	330,824
Customers' deposits	14	28,880,694	30,156,393
Deposits from related parties		109,235	145,494
Debt issued and other borrowed funds	15	815,650	1,232,271
Engagements by acceptances		30,352	55,891
Other liabilities	16	387,758	358,782
Current tax liabilities		15,774	6,614
Deferred tax liabilities		1,819	2,356
Provisions for risks and charges	17	315,683	283,557
TOTAL LIABILITIES		34,761,045	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		2,516,693	1,869,717
Distributable reserves		17,270	496,533
Treasury shares		(9,190)	(9,190)
Accumulated losses		(541,639)	(90,155)
Other components of equity	18	(1,276,800)	(1,181,287)
Result of the period		(1,239,013)	(285,751)
		2,329,556	3,662,102
NON-CONTROLLING INTERESTS		94,439	94,091
TOTAL SHAREHOLDERS' EQUITY		2,423,995	3,756,193
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		37,185,040	40,486,447

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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	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)	3,662,102	94,091	3,756,193
Net loss for the period	-	-	-	-	-	-	-	-	-	-	-	(1,239,013)	(1,239,013)	16,079	(1,222,934)
Other comprehensive loss	-	-	-	-	-	-	-	-	-	(95,407)	-	-	(95,407)	(15,731)	(111,138)
Total comprehensive loss	-	-	-	-	-	-	-		-	(95,407)	-	(1,239,013)	(1,334,420)	348	(1,334,072)
Appropriation of 2021 profits	-	-	-	-	-	2,299	-	-	(288,050)	-	-	285,751	-	-	-
Transfer between reserves	-	-	-	-	-	644,677	(479,263)	-	(165,308)	(106)	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	1,874	-	-	-	1,874	-	1,874
Balance at 30 September 2022	982,859	10,020	902,290	894,480	72,586	2,516,693	17,270	(9,190)	(541,639)	(1,276,800)	-	(1,239,013)	2,329,556	94,439	2,423,995

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	-	-	-	-	-	-	-	-	-	-	-	(247,603)	(247,603)	6,183	(241,420)
Net profit from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	79,625	79,625	-	79,625
Other comprehensive loss from continuing operations	-	-	-	-	-	-	-	-	-	(138,214)	-	-	(138,214)	(34,345)	(172,559)
Other comprehensive loss from discontinued operations	-	-	-	-	-	-	-	-	-	-	(8,971)	-	(8,971)	-	(8,971)
Total comprehensive loss	-	-	-	-	-	-	-	-	-	(138,214)	(8,971)	(167,978)	(315,163)	(28,162)	(343,325)
Appropriation of 2020 profits	-	-	-	-	-	9,392	-	-	(234,539)	-	-	225,147	-	-	-
Transfer to retailed earnings	-	-	-	-	-	(23,185)	-	-	18,708	4,477	-	-	-	-	-
Entities deconsolidated	-	-	-	-	-	(326,151)	-	-	(195,160)	(75,537)	596,848	-	-	-	-
Sale of FVTOCI	-	-	-	-	-	-	-	-	15,993	-	-	-	15,993	-	15,993
Transfer between reserves	-	-	-	-	-	-	476,085	-	(476,753)	668	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	(2,141)	-	-	-	(2,141)	-	(2,141)
Balance at 30 September 2021	982,859	10,020	902,290	894,480	72,586	1,869,717	493,355	(9,190)	(106,403)	(962,062)	-	(167,978)	3,979,674	139,273	4,118,947

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AT 30 SEPTEMBER 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 interim condensed consolidated financial statements were authorised for issue in accordance with the Board of Directors' resolution on 17 November 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 BdL Basic circular 151 rate, currently at 8,000 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 20 May 2022. The document was passed by the Cabinet in its final session hours before losing decision-making powers, following the election of a new parliament on 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 foreseen 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, representing83% of total assets, would also be audited. Viable banks would be recapitalised with "significant contributions "from banks' shareholders and large depositors.

The plan made no mention of a sovereign fund to manage state-owned assets but pledges to limit recourse to public assets, which had been a demand of Lebanon's commercial banks. The plan said it would protect small depositors "to the maximum extent possible" in each viable bank but did not lay out a minimum amount to be protected – unlike draft plans. Non-viable banks, however, would be dissolved by the end of November, it added .It also said the government would unify the official exchange rate, ending a system in which the government offered various exchange rates for different operations.

International Monetary Fund (IMF)

The Lebanese authorities and the IMF team have reached a staff-level agreement (SLA) on comprehensive economic policies that could be supported by a 46-month Extended Fund Arrangement (EFF) with requested access of SDR 2,173.9 million (equivalent to about USD 3 billion). This agreement is subject to approval by IMF management and the Executive Board, after the timely implementation of all prior actions and confirmation of international partners' financial support. The EFF aims to support the authorities' reform strategy to restore growth and financial sustainability, strengthen governance and transparency, and increase social and reconstruction spending. This will need to be complemented by the restructuring of external public debt that will result in sufficient creditor participation to restore debt sustainability and close financing gaps.

The authorities understand the need to initiate the reforms as soon as possible, and have agreed to complete the following measures prior the IMF Board's consideration:

- Cabinet approval of a bank restructuring strategy that recognises and addresses upfront the large losses in the sector, while protecting small depositors and limiting recourse to public resources.
- Parliament approval of an appropriate emergency bank resolution legislation which is needed to implement the bank restructuring strategy and kick start the process of restoring the financial sector to health, which is fundamental to support growth.
- Initiation of an externally assisted bank-by-bank evaluation for the 14 largest banks by signing the terms of references with a reputable international firm.
- Parliament approval of a reformed bank secrecy law to bring it in line with international standards to fight corruption and remove impediments to effective banking sector restructuring and supervision, tax administration, as well as detection and investigation of financial crimes, and asset recovery.
- Completion of the special purpose audit of the BdL's foreign asset position, to start improving the transparency of this key institution.
- Cabinet approval of a medium-term fiscal and debt restructuring strategy, which is needed to restore debt sustainability, instill credibility in economic policies and create fiscal space for additional social and reconstruction spending.
- Parliament approval of the 2022 budget, to start regaining fiscal accountability.
- Unification by BdL of the exchange rates for authorised current account transactions, which is critical for boosting economic activity, restoring credibility and external viability, and will be supported by the implementation of formal capital controls.

It is worth mentioning that the SLA is only a preliminary agreement, conditional upon parliamentary legislation. The challenge now is for Parliament to mainly ratify a banking restructuring plan, a medium term fiscal adjustment plan, and a capital control law. While such parliamentary legislation might prove to be difficult in the near term, this is where the real challenge lies for a final agreement with the Fund.

It is worth mentioning that the Parliament ratified the 2022 budget in September 2022. The 2022 budget calculates public expenditures at 41 trillion Lebanese Pounds and revenues at 30 trillion Lebanese Pounds, or a deficit of 11 trillion Lebanese Pounds. The process for approving this year's budget has far exceeded the normal deadlines. Parliament did not pass a budget for the fiscal year 2021, and the delay in passing the 2022 budget does not bode well for a potential 2023 budget, which is approaching its constitutional deadline of at most the end of January 2023.

Parliament also ratified the amendment to the Banking Secrecy Law in October. The first version of the law, passed in July, was returned to Parliament on the basis of IMF remarks. These included ambiguity on the bill's retroactive effects, the fact that it does clearly state its provisions takes precedence over competing laws, and the fact that the actual lifting of bank secrecy remains the exclusive prerogative of the Special Investigation Commission (SIC). It is actually believed that the new amended law does meet with IMF requirements and the three main overall objectives, namely strengthening the fight against tax evasion, bringing Lebanon closer to international standards in the fight against money laundering and the financing of terrorism, and optimising the effectiveness of banking secrecy in the fight against corruption.

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.

Maritime Border Demarcation Agreement

The maritime border demarcation agreement between Lebanon and Israel was finalised in October. The agreement was based on Line 23 with Lebanon having supremacy over the Qana field while giving the Karish field to Israel. The deal could enhance long-term economic prospects and improve the country's external position, which is positive for Lebanon's credit profile, but implementation risks remain significant. International Rating Fitch thinks that gas discoveries would generate important economic benefits for Lebanon, first by attracting foreign investment and then by boosting government revenues should the resources prove to be commercially viable. Moody's said the agreement is credit positive for Lebanon because it establishes the necessary geopolitical security conditions for international energy companies to start exploration and the eventual recovery of Lebanon's hydrocarbon resources. Harnessing potential gas resources will help alleviate the country's chronic power deficit and kick-start an economic recovery as per Moody's.

Having said that, it will take no less than three to four years to start having economic benefits for Lebanon emanating from the new gas deal. A number of phases actually appear on the oil and gas value chain, namely exploration and appraisal, development, production, transport, pipelines, storage, refining and distribution, which suggest that benefits from the deal are of a long term rather than imminent nature.

1.2. REGULATORY ENVIRONMENT

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

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

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

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

• Intermediate Circular 567 issued on 26 August 2020 (amending Basic Circular 23, 44 and 78), which partly altered the directives for the determination of expected credit losses and regulatory capital calculation and ratios, previously set in its Intermediate Circular 543 issued on 3 February 2020. Loss rate applied for the calculation of regulatory expected credit losses on exposures to Lebanese sovereign bonds in foreign currencies was increased from 9.45% to 45%, 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 Stage 1 and 2 exposures, excluding those relating to Lebanese sovereign and the Central Bank of Lebanon, may be included under regulatory Common Equity Tier 1. This treatment will be amortised over a period of 3 years (2022-2024 by 25% yearly).

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

- Requesting banks to present a fair assessment of the value of their assets and liabilities for the purpose of putting in place the comprehensive plan referred to in Intermediate Circular 567 (refer to above), in order to be able, within a period limited in time, to comply with the regulatory and banking requirements, mainly those related to liquidity and solvency, and in order to restore the operations of the Bank to their normal levels as at before October 2019.
- Requesting banks to incite each customer who has transferred abroad, between 1 July 2017 and the date of the circular, more than USD 500,000 or their equivalent in other foreign currencies, to deposit in a 5-year term "special account" an amount equal to 15% to 30% (depending on the type of customer) of the transferred amount. Banks shall use this type of deposits to facilitate foreign operations that stimulate the national economy. This is also applicable for 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. The requirement was later amended through Intermediary Circular 645 to consider foreign currency deposits as at 30 September 2022 as the basis for the computation instead of 31 July 2020, thus lowering liquidity required levels as customers' deposits decreased over the period.
- Requesting from banks, after taking consideration of their fair assessment of their financial position, to present a plan during the first quarter of 2021, to address recapitalisation needs, if any, to the Central Bank of Lebanon's Central Council, for its approval. Banks shall take the necessary legal and regulatory measures in order to facilitate the consensual possibility for their depositors to transfer their deposits to shares or bonds. Bank shares will be exclusively listed in Beirut. Banks can pay interest on the bonds that exceed current levels.

• Intermediate Circular 568 issued on 26 August 2020 (amending Basic Circular 44) 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 banks' accounts in foreign currencies, whether directly or indirectly.

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

• Intermediate Circular 601 issued on 8 December 2021 is an amendment to the provisions of Basic Circular 151. The circular stipulates that the Platform Rate to be applied for withdrawal cash from foreign currencies accounts is 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 30 November 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.

• Basic Circular 162 issued on 28 March 2022 requesting from Banks to secure a level of liquidity sufficient to allow public sector employees to withdraw their monthly salaries and other compensations without setting any type of limits.
• Basic Circular 163 issued on 27 May 2022 defining the framework for the monitoring of the accounts of public officials, the performance of due diligence on their operations and the reporting to the Special Investigation Committee on the basis of founded suspicion.

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

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

1.3. PARTICULAR SITUATION OF THE GROUP

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

	2022		2021	
	Rate as at 30 September	Average Rate for the Nine-month Period Ended 30 September	Rate as at 31 December	Average Rate for the Nine-month Period Ended 30 September
	LBP	LBP	LBP	LBP
US Dollar	1,507.5	1,507.5	1,507.5	1,507.5
Euro	1,482,93	1,606.21	1,701.52	1,805.94
Swiss Franc	1,543.94	1,589.42	1,639.48	1,656.18
Turkish Lira	81.27	96.83	111.75	186.19
Jordanian Dinar	-	-	2,126.23	2,126.23
Egyptian Pound	-	-	95.88	96.01
Saudi Riyal	401.30	401.66	401.53	401.93
Qatari Riyal	411.46	412.3	414.03	412.75
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 a specific 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 specific rate was USD 1/LBP 3,900 throughout the period from the issuance of the circular. During December 2021, it was increased to USD 1/LBP 8,000.

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

	2022		2021	
	Rate as at 30 September	Average Rate for the Nine-month Period Ended 30 September	Rate as at 31 December 2021	Average Rate for the Nine-month Period Ended 30 September
	LBP	LBP	LBP	LBP
US Dollar	29,800	24,150	22,700	14,525

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

• On 8 June 2021, the Central Bank of Lebanon issued Basic Circular 158 defining the mechanism for the gradual settlement of foreign currency deposits up to an amount equivalent to USD 50,000. To benefit from the provisions of the said circular, certain eligibility criteria must be met. Customers' monthly entitlements are (i) an amount of USD 400 in cash or equivalent (transfer abroad, credited to a payment card with international usage, etc.) and (ii) an amount in LBP equivalent to USD 400 and converted at a 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 30 September 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 uncertainty, the lack of observable indicators and of visibility on the government's plans with respect to banks' exposure to the Central Bank of Lebanon and Lebanese sovereign, we are unable to estimate in a reasonable manner expected credit losses on these exposures. Accordingly, these consolidated financial statements do not include adjustments of the carrying amount of these assets to their recoverable amounts based on International Financial Reporting Standards and an expected credit loss model.

The impact is expected to be pervasive and will be reflected in the consolidated financial statements once the debt restructuring has been defined conclusively by the government and all uncertainties and constraints are resolved, and once the mechanism for allocating losses by asset class and currency is clear and conclusive. 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 prevailing rates (Basic Circulars 151, 158, etc.) 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 1 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 nine main pillars to face the current financial and economic environment. These pillars are:

1. Asset quality: reduce the risk profile of the Group through the management of the Group's portfolio of assets by (1) sustaining the loan deleveraging policy, (2) maintaining higher loss allowances coverage, (3) closely monitoring the lending portfolios while taking early remedial actions on problematic files, and (4) smoothly reducing sovereign debt exposure, especially in foreign currency.
2. Quality of earnings: efforts to attract low cost and stable funding, while maintaining relationships with good profile obligors with consistent and recurring returns and ancillary revenues. End result is for foreign entities to continue to provide the Group with diversified income generation capacity. Continuous rationalisation of operating expenses targeting a lean organisational structure, improving operational efficiency and reducing cost structure to adapt to the changing operating environment and the level of revenue streams of the Group.
3. Liquidity and ALM: create a liquidity buffer in anticipation of turbulences.
4. Solvency: maintain sufficient capital buffers over the minimum regulatory capital adequacy levels (calculated in accordance with the rules established by the Central Bank of Lebanon).
5. Operational and other non-financial risks: management of operational, compliance, legal, conduct, cyber, strategic and third-party risks while constantly updating business continuity plans to adapt to disruptions in business activities due to new occurring risks and changes.
6. Governance: strict adherence to the internal and regulatory Governance principles, with a particular focus on the control and risk-based oversight role of the Board of Directors to adapt to the particular requirements of the current challenging environment while mobilising the Bank's executive, control, and oversight committees for the continued effectiveness of the control framework. Maintaining abidance by CSR principles to ensure sustainability of the Group, taking into account the economic, social and environmental parameters of our operations in Lebanon and abroad.

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

• Sale of the Bank's Egyptian subsidiary, as well as its Jordanian and Iraqi operations.
• In accordance with Central Bank of Lebanon Intermediary Circular 567, banks are required to increase their own funds (equity) by an amount equal to 20% of their Common Equity Tier 1 capital as of 31 December 2018, through issuing new foreign currency capital instruments. The amount of increase required for the Bank is USD 622 million. On 18 February 2021, the Bank submitted to the regulators the measures taken in this respect which entail:
- Issuance of common shares for USD 209 million.
- Dividends distributed by foreign entities of USD 110 million of which USD 30 million in fresh dollars.
- Positive impact on the Bank's and Lebanon branches standalone equity, from the sale of the Bank's Egyptian subsidiary, investment in Bank Audi Syria and Jordanian and Iraqi operations up to USD 318 million of which USD 304 million in fresh dollars.

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

• Since the start of the Lebanese crisis, the Bank has been implementing a de-risking strategy by considerably reducing its portfolio of private loans concentrated in Lebanon. As at 30 September 2022, all expected credit losses on the consolidated portfolio of private loans in Lebanon have been transferred to foreign currencies.
• Disposing of the majority of its Republic of Lebanon (RoL) Eurobonds portfolio during Q1-2020. As at 30 September 2022, Bank Audi sal's net exposure to RoL Eurobonds is only USD 36.8 million (USD 40.5 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:
  - Building up on the synergies achieved from the merger of both Audi Private Bank sal and Audi Investment Bank sal under Bank Audi sal.
  - Implementing a cost optimisation plan.

All of these measures have helped strengthen the Bank's financial position, including international liquidity and solvency metrics. As at 30 September 2022, consolidated capital adequacy ratios stood at 5.12%, 8.20% and 9.44% 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.

The evolution of the first nine months of 2022 reflects Management voluntary decisions to improve its FX open position, entailing registering a consolidated net loss during the period of USD 811 million (when translated at the official exchange rate published by the Central of Lebanon), among other measures.

The Said FX position which has peaked at -USD 2 billion as at 31 December 2020, has since been reduced to stand a under -USD 0.6 billion as at 30 September 2022, slightly lower than the equity denominated in foreign currencies. Management plans to continue to reduce the FX position in order to hedge the equity.

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 nine-month period ended 30 September 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 nine months ended 30 September 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 30 September 2022 and 31 December 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 reported 3-year and 9-month cumulative rates of inflation of 1,611% and 75% as at 30 September 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 2021.

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 in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments 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
	30 September 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
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.
- 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 30 September 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	222,545	377,197	560,619	13,049	1,173,410
Non-interest income					
Net fee and commission expense	114,101	108,339	(285,949)	8,887	(54,622)
Financial operations	5,712	20,630	(1,568,105)	(184,391)	(1,726,154)
Share of gain of associate under equity method	-	-	-	352	352
Other operating income	185	1,499	8	14,296	15,988
Total non-interest expense	**119,998**	**130,468**	**(1,854,046)**	**(160,856)**	**(1,764,436)**
Total operating loss	**342,543**	**507,665**	**(1,293,427)**	**(147,807)**	**(591,026)**
Net impairment recovery on financial assets	41,752	106,428	129,905	(14,359)	263,726
Net operating loss	**384,295**	**614,093**	**(1,163,522)**	**(162,166)**	**(327,300)**

	Unaudited 30 September 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	243,984	409,782	537,437	14,945	1,206,148
Non-interest income					
Net fee and commission income	(30,242)	26,270	3,394	6,040	5,462
Financial operations	(334,034)	(295,670)	(317,395)	7,941	(939,158)
Other operating income	14,849	3,445	29	15,141	33,464
Total non-interest expense	(349,427)	(265,955)	(313,972)	29,122	(900,232)
Total operating income	(105,443)	143,827	223,465	44,067	305,916
Net impairment loss on financial assets	(36,221)	28,965	(3,963)	-	(11,219)
Net operating income	(141,664)	172,792	219,502	44,067	294,697

FINANCIAL POSITION INFORMATION

	30 September 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	-	-	-	15,787	15,787
Total assets	4,699,623	3,224,852	28,078,268	1,182,297	37,185,040
Total liabilities	3,881,461	25,190,543	5,136,556	552,485	34,761,045

	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 12,324 million at 30 September 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 1,436,662 million for the period ended 30 September 2022 (30 September 2021: LBP 1,218,244 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 30 September 2022 LBP Million	Unaudited 30 September 2021 LBP Million
Interest and similar income		
Central Bank of Lebanon	1,333,543	1,074,068
Lebanese sovereign	103,119	144,176
	1,436,662	1,218,244

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

	30 September 2022 (Unaudited)			
	Lebanon LBP Million	MENAT LBP Million	Europe LBP Million	**Total LBP Million**
Net interest income	962,897	179,377	31,136	1,173,410
Non-interest income				
Net fee and commission expense	(117,372)	20,153	42,597	(54,622)
Financial operations	(1,877,047)	210,242	(59,349)	(1,726,154)
Share of gain of associate under equity method	352	-	-	352
Other operating income	2,091	12,898	999	15,988
Total non-interest expense	**(1,991,976)**	**243,293**	**(15,753)**	**(1,764,436)**
Total external operating loss	**(1,029,079)**	**422,670**	**15,383**	**(591,026)**
Net impairment recovery on financial assets	217,364	(19,909)	66,271	263,726
Net external operating loss	**(811,715)**	**402,761**	**81,654**	**(327,300)**

	30 September 2021 (Unaudited)			
	Lebanon LBP Million	MENAT LBP Million	Europe LBP Million	Total LBP Million
Net interest income	1,075,732	110,780	19,636	1,206,148
Non-interest income				
Net fee and commission income	(74,715)	26,909	53,268	5,462
Financial operations	(971,753)	(21,705)	54,300	(939,158)
Other operating income	18,177	12,131	3,156	33,464
Total non-interest expense	(1,028,291)	17,335	110,724	(900,232)
Total external operating income	47,441	128,115	130,360	305,916
Net impairment loss on financial assets	402	(698)	(10,923)	(11,219)
Net external operating income	47,843	127,417	119,437	294,697

FINANCIAL POSITION INFORMATION

	30 September 2022 (Unaudited)			
	Lebanon LBP Million	MENAT LBP Million	Europe LBP Million	**Total LBP Million**
Capital expenditures	2,087	9,204	1,033	12,324
Investments in associates	15,787	-	-	15,787
Total assets	27,703,375	5,417,405	4,064,260	37,185,040
Total liabilities	26,165,218	5,098,546	3,497,281	34,761,045

	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 30 September 2022 LBP Million	Unaudited 30 September 2021 LBP Million
Mark-up commission(*)	1,837	130,856
Commission for LBP banknotes(**)	291,492	14,951
Electronic Banking	11,193	11,685
Brokerage and custody fees	9,803	12,621
Commercial Banking expenses	3,292	3,024
Other fees and commissions	2,002	6,980
	319,619	180,117

(*) 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 2021. Book losses from these transactions amounted to LBP 1,837 million during for the nine-month period ended 30 September 2022 (30 September 2021: LBP 130,856 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 291,492 million recorded under commission expense (30 September 2021:LBP 14,951 million.

5. NET TRADING LOSS

	Unaudited 30 September 2022 LBP Million	Unaudited 30 September 2021 LBP Million
Gain on financial instruments at fair value through profit or loss	6,969	12,910
Foreign exchange	(74,669)	(30,198)
Derivatives	156,642	32,002
Loss resulting from exchange of foreign currencies(*)	(1,806,739)	(945,120)
Dividends	356	213
	(1,717,441)	(930,193)

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 4,801 million during the nine-month period ended 30 September 2022 (30 September 2021: LBP 3,787 million).

(*) During the nine-month period ended 30 September 2022, 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 discontinue selling the latter local foreign currencies purchased through the application of Basic Circular 151. These transactions resulted in a loss of LBP 1,254,675 million (30 September 2021: LBP 938,018 million).*
- *During the period, the Group purchased from its customers local foreign currencies at rates below the rate specified in Basic Circular 151 which resulted in a loss of LBP 379,201 million (30 September 2021: LBP 117,526 million).*
- *During 2022, the Group bought from the Central Bank of Lebanon USD 26 million in Local Dollar at a rate of 8,000 which resulted in a loss of LBP 172,863 million.*
- *During 2021, the Group sold the Central Bank of Lebanon USD 10 million in real US Dollar bills at a rate of 12,550 which resulted in a gain of LBP 110,424 million.*

6. NET IMPAIRMENT (RECOVERY) LOSS ON FINANCIAL ASSETS

	Unaudited 30 September 2022 LBP Million	Unaudited 30 September 2021 LBP Million
Re-measurements:		
Cash and balances with central banks	186	28
Banks and financial institutions	(501)	499
Loans and advances to customers at amortised cost	(57,808)	121,521
Financial assets at amortised cost	(115,645)	(894)
Financial guarantees and other commitments	1,117	483
	(172,651)	121,637
Recoveries:		
Loans and advances to customers at amortised cost	(77,868)	(81,030)
Financial guarantees and other commitments	(1,885)	(3,261)
	(79,753)	(84,291)
Net direct recoveries	(11,322)	(26,127)
	(263,726)	11,219

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.). 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:

30 September 2022 (unaudited)	Positive Fair Value LBP Million	Negative Fair Value LBP Million	Notional Amount LBP Million
Derivatives held for trading			
Forward foreign exchange contracts	6,517	17,857	624,442
Forward precious metals contracts	4	-	10,385
Currency swaps	38,404	20,083	2,499,073
Precious metals swaps	1,224	1,712	150,024
Currency options	37,252	23,778	1,585,890
Interest rate swaps	78,151	8,837	1,320,283
Interest rate options	5,569	-	979,875
Credit derivatives	-	-	17,125
Equity options	13,381	13,381	34,428
	180,502	85,648	7,221,525
Derivatives held as cash flow hedge			
Interest rate swaps	72	-	158,477
	72	-	158,477
Total	180,574	85,648	7,380,002

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 30 September 2022 LBP Million	Audited 31 December 2021 LBP Million
Lebanese sovereign and Central Bank of Lebanon		
Eurobonds	14,097	1,267
Other sovereign		
Treasury bills and bonds	796	201
Private sector and other securities		
Banks and financial institutions	150,231	113,968
Mutual funds	41,936	43,454
Equity instruments	1,776	2,148
	193,943	159,570
	208,836	161,038

9. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST

	Unaudited 30 September 2022 LBP Million	Audited 31 December 2021 LBP Million
Corporate and SME	5,017,228	5,783,462
Retail and Personal Banking	2,053,314	2,537,135
Public sector	55,152	53,781
	7,125,694	8,374,378
Less: allowance for expected credit losses (Note 25)	(1,010,465)	(1,295,251)
	6,115,229	7,079,127

10. FINANCIAL ASSETS AT AMORTISED COST

	Unaudited 30 September 2022 LBP Million	Audited 31 December 2021 LBP Million
Lebanese sovereign and Central Bank of Lebanon		
Certificates of deposit	3,580,078	3,935,925
Treasury bills	2,061,606	2,907,580
Eurobonds	58,562	140,615
	5,700,246	6,984,120
Other sovereign		
Treasury bills	541,464	22,138
Eurobonds	175,818	183,597
Other governmental securities	20,454	3,752
	737,736	209,487
Private sector and other securities		
Banks and financial institutions debt instruments	343,797	214,016
Corporate debt instruments	144,291	72,046
	488,088	286,062
	6,926,070	7,479,669
Less: allowance for expected credit losses (Note 25)	(89,074)	(194,760)
	6,836,996	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 30 September 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 30 September 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, the Group, in agreement with credit-linked depositors, settled deposits amounting to LBP 452,617 million in certificates of deposit with the Central Bank of Lebanon denominated in US Dollars having the same nominal amount as at 30 September 2022 (31 December 2021: LBP 439,402 million) (Notes 12 and 14).

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Unaudited 30 September 2022 LBP Million	Audited 31 December 2021 LBP Million
Debt instruments		
Other sovereign		
Treasury bills and bonds	813,930	917,198
Private sector and other securities		
Banks and financial institutions debt instruments	46,325	204,108
	860,255	1,121,306
Equity instruments		
Quoted	176	176
Unquoted	41,914	43,398
	42,090	43,574
	902,345	1,164,880

12. OTHER ASSETS

	Unaudited 30 September 2022 LBP Million	Audited 31 December 2021 LBP Million
Advances on acquisition of property and equipment	32,013	3,924
Advances on acquisition of intangible assets	2,543	2,434
Prepaid charges	45,466	35,718
Electronic cards and regularisation accounts	9,768	24,603
Receivables related to non-banking operations	19,725	38,287
Advances to staff	10,847	22,809
Hospitalisation and medical care under collection	8,866	41,372
Interest and commissions receivable	1,290	858
Funds management fees	65	70
Fiscal stamps, bullions and commemorative coins	1,128	1,046
Management and advisory fees receivable	354	1,330
Tax regularisation account	10,795	14,757
Foreign exchange position	250,182	135,245
Other debtor accounts	439,847	162,380
Receivables from Central Bank of Lebanon under leverage arrangements	1,084,310	1,279,783
	1,917,199	1,764,616

As at 30 September 2022, other debtors' accounts include an amount of LBP 18,896 million representing collateral under process of being repossessed against settlement of loans (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 its account consisting of an assigned share of cash flows from leverage arrangements entered into by the Group with the Central Bank of Lebanon. At the date of the exercise, the loan facility amounted to LBP 131,974 million and was offset against the transfer of the underlying present value of the debtor's share of the expected future cash flows from leverage arrangements, which was recorded as "receivables from the Central Bank of Lebanon under leverage arrangements" under other assets. Remaining balance related to this transaction amounted to LBP 78,790 million as at 30 September 2022 (31 December 2021: LBP 118,678 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 certificates of deposit. In agreement with credit-linked depositors, the Group settled deposits at 30 September 2022 amounting to LBP 452,617 million in such certificates of deposit having the same nominal amount as at 30 September 2022 (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 loss (Note 5). Remaining balance related to this transaction amounted to LBP 169,012 million as at 30 September 2022 (31 December 2021: LBP 209,666 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 836,508 million as at 30 September 2022 (31 December 2021: LBP 951,439 million).

FOREIGN EXCHANGE POSITION

Foreign exchange position as at 30 September 2022 resulted mainly from the application of Basic Circular 159 and 151 and Intermediate Circular 556 (31 December 2021: same).

13. DUE TO CENTRAL BANKS

	Unaudited 30 September 2022 LBP Million	Audited 31 December 2021 LBP Million
Central Bank of Lebanon		
Subsidised loans	498,697	586,913
Term borrowings under leverage arrangements	1,979,141	1,979,141
Other borrowings	721,112	721,112
Accrued interest	21,782	13,148
Other central banks		
Other borrowings	9,939	34,129
Repurchase agreements	176,512	210,020
	3,407,183	3,544,463

SUBSIDISED LOANS

As at 30 September 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 a 2% interest rate per annum and having maturities ranging between 2022 and 2031, 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 nine-month period ended 30 September 2022, in order to reduce the local foreign currency mismatch and increase liquidity in Lebanese Pounds bank notes, 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 same maturities and earning coupon rates between 4.5% and 10.5% (31 December 2021: same).

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

	Unaudited 30 September 2022 LBP Million	Audited 31 December 2021 LBP Million
Leverage arrangements		
Gross amounts	10,060,614	10,790,245
Amounts offset against[(1)]		
Placement with the Central Bank of Lebanon	5,443,473	6,173,104
Certificates of deposit with the Central Bank of Lebanon (Note 10)	2,638,000	2,638,000
Net amounts reported on the statement of financial position	**1,979,141**	1,979,141
Financial collateral		
Lebanese Treasury bills (Note 10)	1,979,141	1,979,141
	1,979,141	1,979,141

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

Financial assets and financial liabilities that were settled on a net basis amounted to LBP 3,811,416 million as at 30 September 2022 (31 December 2021: LBP 3,081,785 million).

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 30 September 2022 LBP Million	Audited 31 December 2021 LBP Million
Financial assets at amortised cost – Non-Lebanese government bonds	35,613	19,225
Financial assets at fair value through comprehensive income – Non-Lebanese government bonds	193,359	206,061

14. CUSTOMERS' DEPOSITS

	(Unaudited) 30 September 2022			
	Corporate and SME LBP Million	Retail and Personal Banking LBP Million	Public Sector LBP Million	**Total LBP Million**
Sight deposits	2,480,169	13,019,038	24,719	15,523,926
Time deposits	1,050,321	10,420,102	4,369	11,474,792
Saving accounts	39,890	1,042,135	-	1,082,025
Margins on LC's and LG's	59,331	8,769	-	68,100
Other margins	586	-	-	586
Other deposits	3,739	119,800	-	123,539
Bankers' drafts	-	607,726	-	607,724
	3,634,036	**25,217,570**	**29,088**	**28,880,694**
Deposits pledged as collateral				2,007,674

	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
	4,417,474	25,708,694	30,225	30,156,393
Deposits pledged as collateral				3,117,897

Sight deposits include balances of bullion amounting to LBP 136,280 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 17,125 million as at 30 September 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 30 September 2022, in agreement with such depositors, the Bank settled deposits amounting to LBP 452,617 million in certificates of deposit 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 30 September 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

	Unaudited 30 September 2022 LBP Million	Audited 31 December 2021 LBP Million
USD 116,660,000 due 16 October 2023 – 6.75% (31 December 2021: USD 346,730,000)	175,865	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%	413,895	414,747
Interest paid in advance	(16,240)	-
Accrued interests	16,005	68,704
	815,650	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 116,660,000 DUE 16 OCTOBER 2023 – 6.75% (31 DECEMBER 2021: USD 346,730,000)

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

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

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

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

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

Subsequently, on 19 April 2022, the Bank proceeded with the exchange of all of the existing notes, with 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 the 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 approximately USD 230 million had exercised the put option out of USD 347 million outstanding (58% 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 the final maturity date.

The Group determined that the matters disclosed in Note 1 will have an impact on the retained earnings and reserves leading to a need for recapitalisation, the amount of which has not been determined yet due to the high level of uncertainty resulting from these matters. This matter is under objection by the lender. However, the Group believes that it is in a strong position. As at 30 September 2022, deferred interest payable amounted to LBP 41,967 million and was recorded under "Other liabilities" (31 December 2021: LBP 34,300 million) (Note 16).

The Group shall, on any interest payment date or not less than 30 days' prior written notice, have the right to prepay the entire outstanding principal amount of the loan, in whole but not in part, together with accrued but unpaid interest thereon, and all other amounts payable, and subject to the approval of the Central Bank of Lebanon:

- In the event of a change in Lebanese law or regulation resulting in an increase in the withholding tax rate applicable to payments of interest on the loans to more than 5.00% above the rate in effect on the date of the disbursement. No penalty or premium shall be payable in connection with any prepayment following changes in taxation; or
- Subject to the payment of a premium of 2.00% of the outstanding principal amount of the loans to be prepaid, at the option of the Group, on any interest payment date at any time after the fifth anniversary of the date on which the loan is disbursed.

USD 276,000,000 DUE 1 AUGUST 2027 – 7.625%

On 1 August 2017, Odea Bank A.Ş. issued subordinated unsecured notes in the amount of USD 300 million to third parties. These notes mature on 1 August 2027 and pay semi-annual interest of 7.625%. The notes are listed on the Main Securities Market of the Irish Stock Exchange. Odea Bank A.Ş. shall repay the notes at maturity and may repay the notes in whole, but not in part, (1) starting from the fifth anniversary of the subordinated debt issuance date, or (2) due to changes in BRSA regulation if the loan ceases to be treated as Tier 2 capital under the applicable BRSA regulation. As of 31 December 2021, 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 30 September 2022 (31 December 2021: the same).

16. OTHER LIABILITIES

	Unaudited 30 September 2022 LBP Million	Audited 31 December 2021 LBP Million
Lease liabilities	23,553	28,488
Accrued expenses	58,892	55,756
Miscellaneous suppliers and other payables	12,716	15,412
Operational taxes	62,751	84,110
Employee accrued benefits	8,307	3,326
Electronic cards and regularisation accounts	13,094	32,029
Social security dues	4,547	5,078
Deferred interest payable (Note 15)	41,967	34,300
Other credit balances	161,931	100,283
	387,758	358,782

17. PROVISIONS FOR RISKS AND CHARGES

	Unaudited 30 September 2022 LBP Million	Audited 31 December 2021 LBP Million
Provisions for risks and charges	143,812	115,526
Provisions for ECL on financial guarantees and commitments	8,822	11,421
End-of-service benefits	163,049	156,610
	315,683	283,557

18. OTHER COMPONENTS OF EQUITY

	Unaudited 30 September 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)**	**(1,181,287)**
Other comprehensive loss from continuing operations	-	42,860	(136,076)	-	(2,191)	(95,407)
Transfer between reserves	(106)	-	-	-	-	(106)
Balance at 30 September 2022	**261,895**	**37,276**	**(1,495,103)**	**(76,633)**	**(4,235)**	**(1,276,800)**

	Unaudited 30 September 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 loss from continuing operations	-	(10,906)	(125,620)	(482)	(1,206)	(138,214)
Entities deconsolidated	(75,568)	31	-	-	-	(75,537)
Transfer from retained earnings	-	4,477	-	-	-	4,477
Transfer between reserves	668	-	-	-	-	668
Balance at 30 September 2021	262,159	14,136	(1,204,274)	(12,933)	(21,150)	(962,062)

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 was 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 operations 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 nine months of results as discontinued operations to 30 September 2021.

	Unaudited 30 September 2021		
	Bank Audi sae LBP Million	Jordan and Iraq Operations LBP Million	**Total LBP Million**
Interest and similar income	213,999	9,786	223,785
Interest and similar expense	(132,785)	(5,007)	(137,792)
Net interest income	81,214	4,779	85,993
Fee and commission income	14,438	2,558	16,996
Fee and commission expense	(1,450)	(356)	(1,806)
Net fee and commission income	12,988	2,202	15,190
Net gain on financial assets at fair value through profit or loss	1,322	426	1,748
Non-interest revenues from financial assets at fair value through other comprehensive income	332	-	332
Other operating income	59	1	60
Total operating income	95,915	7,408	103,323
Net impairment loss on financial assets	(16,577)	(480)	(17,057)
Net operating income	79,338	6,928	86,266
Personnel expenses	(16,561)	(2,631)	(19,192)
Other operating expenses	(14,021)	(1,965)	(15,986)
Depreciation of property and equipment and right-of-use assets	(2,886)	(682)	(3,568)
Amortisation of intangible assets	(1,224)	(284)	(1,508)
Total operating expenses	(34,692)	(5,562)	(40,254)
Operating profit	44,646	1,366	46,012
Net loss on revaluation and disposal of fixed assets	(123)	-	(123)
Profit before tax	44,523	1,366	45,889
Income tax	(21,052)	(523)	(21,575)
Profit for the period	23,471	843	24,314
Gain on sale for the period from discontinued operations	58,513	(3,202)	55,311
Profit for the year from discontinued operations	81,984	(2,359)	79,625

Other comprehensive income relating to discontinued operations is as follows:

	Unaudited 30 June 2021		
	Bank Audi sae LBP Million	Jordan Operations LBP Million	Total LBP Million
Profit for the period	81,984	(2,359)	79,625
Other comprehensive 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			
Net unrealised gain	(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)
Total other comprehensive loss that will be reclassified to the income statement in subsequent periods	(8,971)	-	(8,971)
Other comprehensive loss for the period, net of tax	(8,971)	-	(8,971)
Total comprehensive income for the period, net of tax	73,013	(2,359)	70,654

20. CASH AND CASH EQUIVALENTS

	Unaudited 30 June 2022 LBP Million	Audited 31 December 2021 LBP Million	Unaudited 30 June 2021 LBP Million
Cash and balances with central banks	7,316,846	6,402,643	5,538,139
Due from banks and financial institutions	2,281,154	2,639,672	2,943,605
Loans to banks and financial institutions and reverse repurchase agreements	24,464	42,907	168,969
Due to central banks	(186,459)	(244,202)	(40,922)
Due to banks and financial institutions	(389,176)	(195,926)	(828,095)
Due to banks under repurchase agreement	(103,447)	(38,610)	(92,739)
	8,943,382	8,606,484	7,688,957

Cash and balances with central banks include amounts of LBP 3,408,930 million at 30 September 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 30 September 2022 and 31 December 2021:

	Unaudited 30 September 2022 LBP Million	Audited 31 December 2021 LBP Million
Cash and balances with central banks	3,875,719	1,381,982
Due from banks and financial institutions	24,379	19,445
	3,900,098	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 1.3. However, in light of the high deviation between the parallel market rate, the Sayrafa rate and the official published exchange rates, Management estimates that the amounts reported in this note in LBP do not reflect a reasonable estimate of expected cash flows in Lebanese Pounds that would have to be generated from the realisation of such assets or the payment of such liabilities at the date of the interim condensed financial statements, and Management is unable to estimate the effects on the fair value measurement. This matter should be taken into consideration when interpreting the fair value disclosures in this note, especially those under Level 1 and Level 2.

FAIR VALUE OF FINANCIAL INSTRUMENTS HELD AT FAIR VALUE

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

	Unaudited 30 September 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	950	5,567	-	6,517
Forward precious metals contracts	4	-	-	4
Currency swaps	12,276	26,128	-	38,404
Precious metals swaps	1,224	-	-	1,224
Currency options	16,461	20,791	-	37,252
Interest rate swaps	-	78,151	-	78,151
Interest rate options	-	5,569	-	5,569
Equity options	13,381	-	-	13,381
Derivatives held for cash flow hedge				
Interest rate swaps	-	72	-	72
	44,296	**136,278**	-	**180,574**
Financial assets at fair value through profit or loss				
Lebanese sovereign and Central Bank of lebanon				
Eurobonds	14,097	-	-	14,097
Other sovereign				
Treasury bills and bonds	796	-	-	796
Private sector and other securities				
Banks and financial institutions	150,231	-	-	150,231
Mutual funds	-	3,452	38,484	41,936
Equity instruments	42	1,734	-	1,776
	165,166	**5,186**	**38,484**	**208,836**
Financial assets designated at fair value through other comprehensive income				
Debt instruments				
Other sovereign				
Treasury bills and bonds	813,930	-	-	813,930
Private sector and other securities				
Banks and financial institutions	46,325	-	-	46,325
Equity instruments				
Quoted	176	-	-	176
Unquoted	-	266	41,648	41,914
	860,431	**266**	**41,648**	**902,345**
	1,069,893	**141,730**	**80,132**	**1,291,755**
FINANCIAL LIABILITIES				
Derivative financial instruments				
Derivatives held for trading				
Forward foreign exchange contracts	677	17,180	-	17,857
Currency swaps	7,997	12,086	-	20,083
Precious metals swaps	1,712	-	-	1,712
Currency options	16,461	7,317	-	23,778
Interest rate swaps	-	8,837	-	8,837
Equity options	13,381	-	-	13,381
	40,228	**45,420**	-	**85,648**
Customers' deposits – sight	136,280	-	-	136,280
	176,508	**45,420**	-	**221,928**

	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	-	330,824
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 30 September 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	39,491	43,132	46,105	65,272
Re-measurement recognised in other comprehensive income	-	(351)	-	(7,518)
Purchases	-	-	-	311
Sales	(1,007)	(1,203)	(6,614)	(13,879)
Foreign exchange difference	-	70	-	(1,054)
Balance at 30 June/31 December	38,484	41,648	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 30 September 2022		
	Banks LBP Million	Customers LBP Million	Total LBP Million
Guarantees and contingent liabilities			
Financial guarantees	5,193	241,449	246,642
Other guarantees	80,128	752,792	832,920
	85,321	**994,241**	**1,079,562**
Commitments			
Documentary credits	-	150,484	150,484
Loan commitments	-	2,307,028	2,307,028
Of which revocable	-	*1,763,842*	*1,763,842*
Of which irrevocable	-	*543,186*	*543,186*
	-	**2,457,512**	**2,457,512**

	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	3,019,448

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 30 September 2022 (31 December 2021: LBP 9,865 million).

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, its foreign assets, and its foreign currency exposure.

CAPITAL EXPENDITURE COMMITMENTS

	Unaudited 30 September 2022 LBP Million	Audited 31 December 2021 LBP Million
Capital expenditure commitments	2,006	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 30 September 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 30 September 2022 LBP Million	Audited 31 December 2021 LBP Million
Assets under management	9,217,994	11,195,957
Fiduciary assets	1,698,200	1,414,461
	10,916,194	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 30 September 2022 LBP Million	Audited 31 December 2021 LBP Million
Loans and advances	65,396	70,485
Of which: granted to Key Management Personnel	*7,473*	*7,504*
Of which: cash collateral received against loans	*55,382*	*63,045*
Indirect facilities	1,741	1,752
Deposits	109,235	145,494
Interest income on loans	288	1,264
Interest expense on deposits	615	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 30 September 2022 LBP Million	Unaudited 31 September 2021 LBP Million
Short-term benefits	5,964	9,507
Post-employment benefits – income statement	207	178

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 4,947 million as of 30 September 2022 (31 December 2021: LBP 4,740 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 30 September 2022 and 31 December 2021. The Group does not hold any purchased or originated credit-impaired assets as at period-end.

	Gross Exposure				Impairment Allowance				
30 September 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	1,372,612	15,574,049	-	16,946,661	418	219,258	-	219,676	16,726,985
Due from banks and financial institutions	2,607,127	24,949	542	2,632,618	1,049	-	200	1,249	2,631,369
Loans to banks and financial institutions and reverse repurchase agreements	125,366	-	-	125,366	-	-	-	-	125,366
Loans and advances to customers at amortised cost	5,149,505	865,282	1,110,907	7,125,694	134,935	113,389	762,141	1,010,465	6,115,229
Corporate and SME	*3,428,301*	*822,196*	*766,731*	*5,017,228*	*89,457*	*100,484*	*517,553*	*707,494*	*4,309,734*
Retail and Personal Banking	*1,709,940*	*42,759*	*300,615*	*2,053,314*	*45,478*	*12,902*	*216,990*	*275,370*	*1,777,944*
Public sector	*11,264*	*327*	*43,561*	*55,152*	-	*3*	*27,598*	*27,601*	27,551
Loans and advances to related parties at amortised cost	65,402	-	-	65,402	6	-	-	6	65,396
Financial assets at amortised cost	1,225,824	3,580,078	2,120,168	6,926,070	4,338	73,121	11,615	89,074	6,836,996
Financial guarantees and other commitments	1,695,912	96,740	10,932	1,803,584	5,430	1,410	1,982	8,822	1,794,762
Total	12,241,748	20,141,098	3,242,549	35,625,395	146,176	407,178	775,938	1,329,292	34,296,103

	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 30 September 2022 and 31 December 2021 is as follows:

	Unaudited 30 September 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	15,354,791	712,634	9,091	650,469	-	-	-	-	-	16,726,985
Due from banks and financial institutions	24,949	78,367	192,673	2,025,647	309,426	303	4	-	-	2,631,369
Loans to banks and financial institutions and reverse repurchase agreements	-	125,366	-	-	-	-	-	-	-	125,366
Derivative financial instruments	7,208	38,660	498	131,854	7	378	1,969	-	-	180,574
Financial assets at fair value through profit or loss	14,097	692	-	150,231	-	-	-	104	-	165,124
Loans and advances to customers at amortised cost	2,572,482	2,365,934	437,899	351,535	5,766	86,538	255,312	32,774	6,989	6,115,229
Loans and advances to related parties at amortised cost	9,413	-	55,483	357	-	-	143	-	-	65,396
Debtors by acceptances	636	-	281	29,435	-	-	-	-	-	30,352
Financial assets at amortised cost	5,660,011	202,352	132,572	215,060	549,356	57,686	-	-	19,959	6,836,996
Financial assets at fair value through other comprehensive income	-	790,859	18,247	6,085	34,114	10,950	-	-	-	860,255
Other assets	1,752,520	52,507	1,878	19,479	-	-	-	-	-	1,826,384
	25,396,107	4,367,371	848,622	3,580,152	898,669	155,855	257,428	32,878	26,948	35,564,030

	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	-	-	-	-	-	1,714,655
	26,844,680	4,960,838	910,711	4,562,774	756,056	208,139	372,086	25,071	40,813	38,681,169

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 1.3, the Group's assets and liabilities in foreign currencies are valued at the official published exchange rate. Due to the high volatility and the significant variance in exchange rates between the multiple currency market, this does not always represent a reasonable estimate of expected cash flows in Lebanese Pounds that would have to be generated/used from the realisation of such assets or the payment of such liabilities at the date of the transaction or at the date of the financial statements. 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 30 September 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	3,166,396	12,344,461	1,270,080	103,357	391,617	17,275,911
Due from banks and financial institutions	573	1,971,854	393,307	16,126	249,509	2,631,369
Loans to banks and financial institutions and reverse repurchase agreements	-	-	-	125,366	-	125,366
Derivative financial instruments	-	90,610	15,761	51,116	23,087	180,574
Financial assets at fair value through profit or loss	-	58,259	54	121	150,402	208,836
Loans and advances to customers at amortised cost	1,822,888	1,574,928	1,183,356	1,267,048	267,009	6,115,229
Loans and advances to related parties at amortised cost	5,574	58,855	966	-	1	65,396
Debtors by acceptances	-	15,469	14,314	-	569	30,352
Financial assets at amortised cost	2,201,238	4,249,300	116,678	269,780	-	6,836,996
Financial assets at fair value through other comprehensive income	19,523	320,215	70,635	486,624	5,348	902,345
Investments in associates	-	15,787	-	-	-	15,787
Property and equipment and right-of-use assets	471,833	621	9,239	14,938	58,895	555,526
Intangible assets	40,519	-	614	12,006	841	53,980
Assets obtained in settlement of debt	2,685	95,784	-	76,939	-	175,408
Other assets	1,718,685	110,033	15,943	56,138	16,400	1,917,199
Deferred tax assets	13,190	-	12	33,040	6,054	52,296
Goodwill	-	42,470	-	-	-	42,470
Total Assets	9,463,104	20,948,646	3,090,959	2,512,599	1,169,732	37,185,040
Liabilities and shareholders' equity						
Due to central banks	2,461,962	768,664	45	176,512	-	3,407,183
Due to banks and financial institutions	16,520	470,455	98,127	1,780	20,919	607,801
Due to banks under repurchase agreements	-	54,051	-	49,397	-	103,448
Derivative financial instruments	-	31,888	14,573	20,336	18,851	85,648
Customers' deposits	5,318,877	18,945,162	2,338,804	1,491,609	786,242	28,880,694
Deposits from related parties	5,401	88,086	14,990	139	619	109,235
Debt issued and other borrowed funds	-	815,650	-	-	-	815,650
Engagements by acceptances	-	15,469	14,314	-	569	30,352
Other liabilities	178,455	108,742	19,340	62,039	19,182	387,758
Deferred tax liabilities	1,617	-	-	-	202	1,819
Current tax liability	8,436	-	1,557	5,578	203	15,774
Provisions for risks and charges	231,373	6,504	1,176	51,382	25,248	315,683
Shareholders' equity	(58,175)	3,448,959	24,519	(1,253,088)	261,780	2,423,995
Total liabilities and shareholders' equity	8,164,466	24,753,630	2,527,445	605,684	1,133,815	37,185,040

	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)	316,229	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 Management expects that they will be realised/settled without recourse to foreign currency cash and/or foreign bank accounts outside Lebanon ("fresh funds"). Hence these cannot be perceived to have an economic value equivalent to that of offshore foreign currency assets and liabilities, and should be viewed and managed separately. The tables below detail onshore assets and liabilities in foreign currencies:

	30 September 2022 (Unaudited)			
	USD LBP Million	EUR LBP Million	Other LBP Million	Total LBP Million
Assets				
Cash and balances with central banks	11,719,846	701,637	2,077	12,423,560
Due from banks and financial institutions	24,375	3	-	24,378
Financial assets at fair value through profit or loss	32,510	-	-	32,510
Loans and advances to customers at amortised cost	495,668	41,065	1,747	538,480
Loans and advances to related parties at amortised cost	3,449	-	-	3,449
Financial assets at amortised cost	3,367,601	-	-	3,367,601
Financial assets at fair value through other comprehensive income	2,482	34	-	2,516
Investment in associates	15,787	-	-	15,787
Property and equipment and right-of-use assets	621	-	52	673
Assets obtained in settlement of debt	95,782	-	-	95,782
Other assets	101,148	569	-	101,717
Total assets	15,859,269	743,308	3,876	16,606,453
Liabilities and shareholders' equity				
Due to central banks	758,762	7	-	758,769
Due to banks and financial institutions	43,928	244	36	44,208
Customers' deposits	15,362,539	639,821	91,118	16,093,478
Deposits from related parties	26,446	9,457	261	36,164
Other liabilities	57,695	195	12	57,902
Provisions for risks and charges	2,139	-	-	2,139
Total liabilities	16,251,509	649,724	91,427	16,992,660

	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	982,860
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 and shareholders' equity				
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 (Note 22).

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

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

Central Bank of Lebanon Intermediate Circular 567, issued on 26 August 2020, introduced several key changes in the calculation of regulatory capital adequacy ratios. These changes include:

- Raising the regulatory expected credit loss level for Lebanese government securities in foreign currency and Lebanese government-related exposures in same currency from 9.45% to 45%. Regulatory ECL for other exposures remain unchanged. The levels remained applicable in 2022.

	30 September 2022	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 %

- 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 to complete 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 Code 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 draw down the 2.5% capital conservation buffer on condition of rebuilding it progressively starting 2022 by 0.75% each year, to reach the minimum required level of 2.5% by the end of 2024.

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

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

The following table shows the applicable regulatory capital ratios:

	Common Tier 1 Capital Ratio	Tier 1 Capital Ratio	Total Capital Ratio
30 September 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 the full capital conservation buffer of 2.5%	7.00%	8.50%	10.50%

	Unaudited 30 September 2022 LBP Million	Audited 31 December 2021 LBP Million
Risk-weighted assets:		
Credit risk	27,017,189	28,552,147
Market risk	1,002,488	2,278,639
Operational risk	1,587,306	1,587,306
Total risk-weighted assets	29,607,375	32,418,092

The regulatory capital as of 30 September 2022 and 31 December 2021 is as follows:

	Unaudited 30 September 2022 LBP Million	Audited 31 December 2021 LBP Million
Tier 1 capital	2,426,417	4,178,251
Of which: Common Tier 1	*1,514,452*	*3,251,148*
Tier 2 capital	368,935	527,286
Total capital	2,795,352	4,705,537

The capital adequacy ratio including net profit for the period as of 30 September is as follows:

	Unaudited 30 September 2022	Audited 31 December 2021
Capital adequacy – Common Tier 1	5.12%	10.04%
Capital adequacy – Tier 1	8.20%	12.89%
Capital adequacy – Total capital	9.44%	14.52%

The capital adequacy ratios as at 30 September 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.

03

ADDRESSES

1.0. | LEBANON

BANK AUDI sal

Member of the Association of Banks in Lebanon
Capital: LBP 992,878,257,468 *(as at September 2022)*
Consolidated shareholders' equity:
LBP 2,423,995,104,087 *(as at September 2022)*
C.R. 11347 Beirut
List of Banks No. 56

HEADQUARTERS

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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.
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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

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.
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2.0. | TURKEY

ODEA BANK A.Ş.

HEADQUARTERS

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BRANCHES

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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.
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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.
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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.
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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
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Cazibe Business Center, No. 15/D, Prof. Muammer Aksoy
Avenue, Sehit Kamil, Gaziantep.
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Branch Managers: Ms. Gamze M. Acar (Retail);
Mr. Erdal H. Karakusoglu (Commercial)

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ADANA
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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)

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DENIZLI
No. 2, M. Korkut Street, Saltak Avenue, Merkez Denizli.
Tel: (90-258) 2952000. Fax: (90-212) 3481883.
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Mr. Ahmet M. Sengun (Commercial)

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KONYA BUSAN
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Branch Manager: Mr. Kursat M. Dayioglu
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ANTALYA
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Branch Managers: Ms. Ebru E. Savas (Retail);
Mr. Ali Zafer A. Kacar (Commercial)

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

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MERSIN
No. 20/A, Kuvai Milliye Avenue, Camiserif District,
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Branch Managers: Ms. Pinar E. Asal (Retail);
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No. 33B, Ataturk Avenue, Cay District,
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Branch Managers: Ms. Canan N. Yerli (Retail);
Ms. Derya M. Basin (Commercial)

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No. 21, Kazimpasa Avenue, Kale District,
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